HARRISONS HOLDINGS (MALAYSIA) BERHAD
REGISTRATION NO. 199001003108 (194675-H)

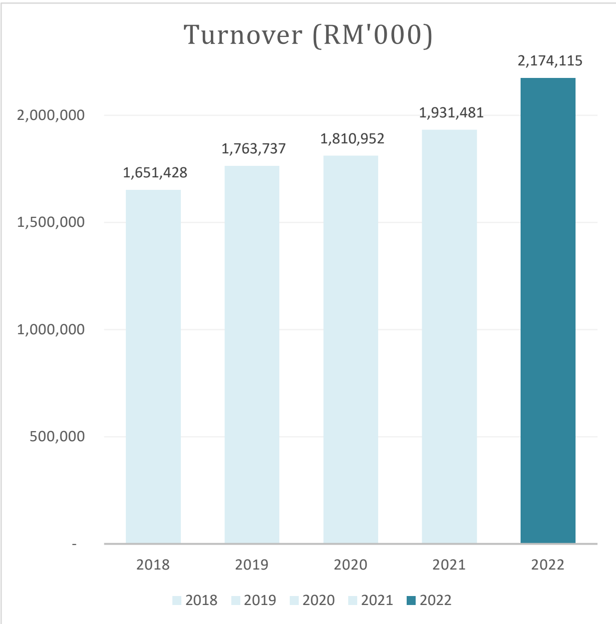
Established in Malaysia since 1918

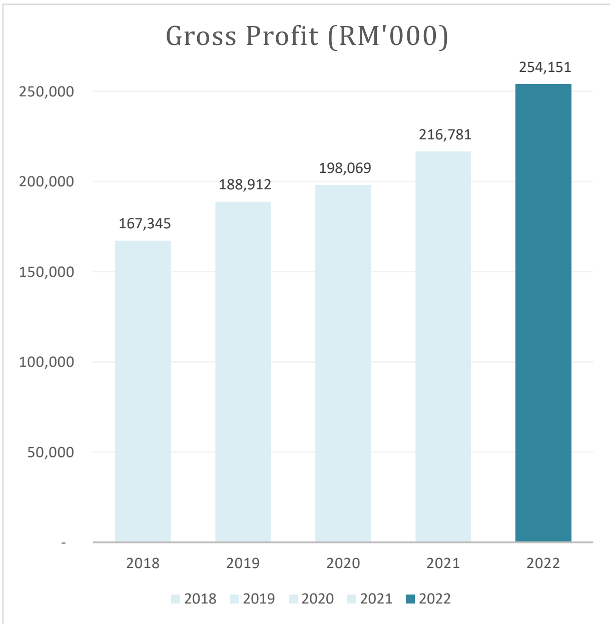
2022
ANNUAL REPORT
Resilience of Sustainable Inclusive Growth

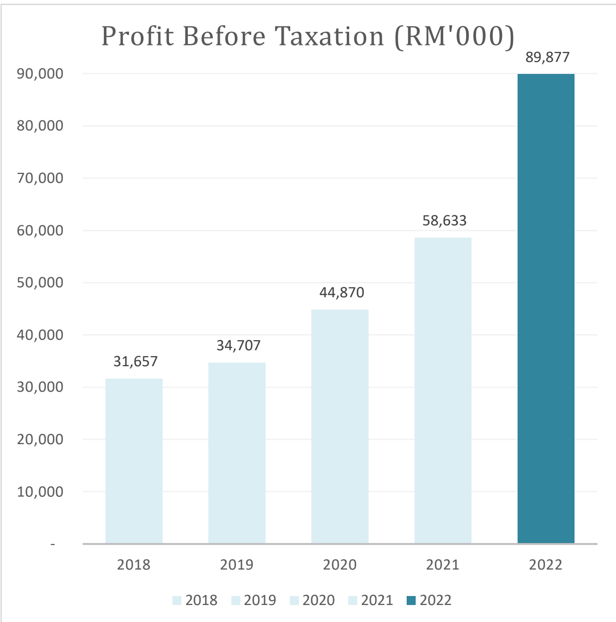
Highest Growth In Profit After Tax Over 3 years
Under The Consumer Products & Services Sector
The Edge Centurion 2022

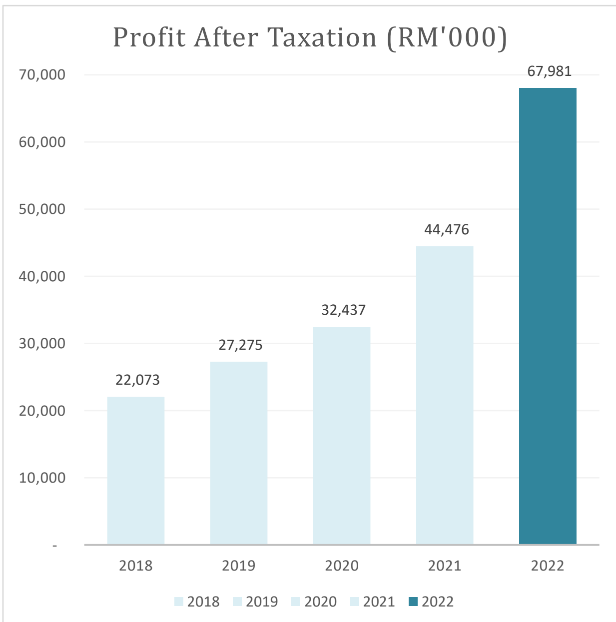
HIGHLIGHTS OF THE GROUP'S FINANCIAL INFORMATION FOR THE PAST 5 FINANCIAL YEARS

	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Turnover	1,651,428	1,763,737	1,810,952	1,931,481	**2,174,115**
Gross Profit	167,345	188,912	198,069	216,781	**254,151**
Gross Profit margin (%)	10.13%	10.71%	10.94%	11.22%	**11.69%**
Profit Before Taxation	31,657	34,707	44,870	58,633	**89,877**
Taxation	9,584	7,432	12,433	14,157	**21,896**
Profit After Taxation	22,073	27,275	32,437	44,476	**67,981**









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CORPORATE INFORMATION

BOARD OF DIRECTORS

Pandjijono Adijanto @ Tan Hong Phang
(Non-Independent Non-Executive Chairman)

Chang Kon Sang
(Executive Director cum Chief Executive Officer (CEO))

Mariana Adijanto @ Tan Phwe Leng
(Non-Independent Non-Executive Director)

Wong Yoke Kong
(Independent Non-Executive Director)

Felix Leong
(Senior Independent Non-Executive Director)
[Appointed on 22 June 2022]

Datuk Lim Tong Lee
(Independent Non-Executive Director)
[Appointed on 11 April 2023]

AUDIT COMMITTEE

Felix Leong – Chairman
Wong Yoke Kong
Datuk Lim Tong Lee

RISK MANAGEMENT & SUSTAINABILITY COMMITTEE [FORMERLY KNOWN AS RISK MANAGEMENT COMMITTEE]

Wong Yoke Kong – Chairman
Felix Leong
Datuk Lim Tong Lee

NOMINATION COMMITTEE

Felix Leong – Chairman
Pandjijono Adijanto @ Tan Hong Phang
Datuk Lim Tong Lee

REMUNERATION COMMITTEE

Pandjijono Adijanto @ Tan Hong Phang
- Chairman
Felix Leong
Datuk Lim Tong Lee

STOCK EXCHANGE

Main Market of Bursa Malaysia
Securities Berhad

Stock Code	:	5008
Sector	:	Consumer Products & Services

SECRETARIES

Low Kong Choon *(MAICSA 0818548)*
(SSM PC No. 202008003025)
Tan Bee Hwa *(MAICSA 7058049)*
(SSM PC No. 202008001174)

SHARE REGISTRARS

Sectrars Management Sdn. Bhd.
Lot 9-7, Menara Sentral Vista
No. 150, Jalan Sultan Abdul Samad
Brickfields
50470 Kuala Lumpur
Tel: +603-2276 6138/ 6139/ 6130
Fax: +603-2276 6131

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel: +603-2173 1188
Fax: +603-2173 1288

SOLICITORS

Messrs Nazri Aziz & Wong
Messrs Cheah Teh & Su

PRINCIPAL BANKERS

RHB Bank Berhad
Hong Leong Bank Berhad
United Overseas Bank Berhad
Affin Bank Berhad

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur
Tel: +603-2382 4288
Fax: +603-2382 4170

CORPORATE OFFICE

Unit 9A, 9th Floor, Wisma Bumi Raya
10, Jalan Raja Laut
50350 Kuala Lumpur
Tel: +603-2698 3733
Fax: +603-2698 8733
Email : general@harrisons.com.my
Website: www.harrisons.com.my

DIRECTORS' PROFILE

MR PANDJIJONO ADIJANTO @ TAN HONG PHANG
(Non-Independent Non-Executive Chairman)

Mr Pandjijono Adijanto @ Tan Hong Phang, Male, 69 years of age, an Indonesian, was appointed as a Non-Independent Non-Executive Director of the Company on 21 March 1990 and subsequently appointed as the Non-Independent Non-Executive Chairman on 16 July 1999. He obtained an honours in Bachelor of Science Degree in Metallurgy from the University of Newcastle, United Kingdom in year 1977. After graduation, he started his career for Bumi Raya Group in Singapore in year 1978. Currently, he is the President of Bumi Raya Group, which has diversified interests in trading, mining, manufacturing, plantations and property investments. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee.

MR CHANG KON SANG
(Executive Director cum Chief Executive Officer ["CEO"])

Mr Chang Kon Sang, Male, 72 years of age, a Malaysian, was appointed as Executive Director cum Acting CEO of the Company on 5 August 2019 and later confirmed as Executive Director cum CEO on 5 February 2020. He was the Managing Director of Harrisons Sabah Sdn. Bhd. from 1997 to 2019. Before that, he was appointed as Associate Director (Finance) on 1 October 1987 and later as the Finance Director on 1 October 1989. Mr Chang is a Fellow of the Institute of Chartered Accountant of England and Wales and a Registered Chartered Accountant of the Malaysian Institute of Accountants. He has served Harrisons Sabah Sdn. Bhd. since May 1980. Before his appointment as the Associate Director, he had held the positions of Senior Accountant and Chief Accountant/Company Secretary.

MS MARIANA ADIJANTO @ TAN PHWE LENG
(Non-Independent Non-Executive Director)

Ms Mariana Adijanto @ Tan Phwe Leng, Female, 64 years of age, a Singaporean, was appointed as a Non-Independent Non-Executive Director of the Company on 2 September 1993. She holds a Bachelor of Science (Honours) Degree from the University of Aston in Birmingham, United Kingdom, majoring in Pharmacy. Upon graduation in year 1981, she worked in various British hospitals and later worked in Cold Storage Pte. Ltd. from years 1982 to 1984. She joined Bumi Raya Group in Singapore in year 1984 and later in Hong Kong in year 1986. She has substantial management experience in the distribution and retail sector, which was accumulated throughout her years with Cold Storage Pte. Ltd. and Bumi Raya Group.

MR WONG YOKE KONG
(Independent Non-Executive Director)

Mr Wong Yoke Kong, Male, 68 years of age, a Malaysian, was appointed as a Non-Independent Non-Executive Director of the Company on 15 February 1994. He was re-designated as an Independent Non-Executive Director on 12 May 2008. He graduated with Bachelor of Arts (Law) Degree from Manchester Polytechnic, United Kingdom in year 1977 and was admitted as a barrister by Honourable Society of Gray's Inn, London in year 1978. He began his career in year 1979 as a legal assistant with Messrs. Sidek Sulaiman Sya. Since year 1982, he has been practicing as a founder partner of Messrs. Nazri Aziz & Wong, a Kuala Lumpur-based law firm. He is a member of the Audit Committee and the Chairman of the Risk Management & Sustainability Committee.

DIRECTORS' PROFILE (CONT'D)

DATUK LIM TONG LEE
(Independent Non-Executive Director)

Datuk Lim Tong Lee, Male, 55 years of age, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 11 April 2023. He is a Fellow Member of the Association of Chartered Certified Accountants, the United Kingdom, a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He began his career in 1990 as an Auditor with Ernst & Young. He left Ernst & Young in 1995 and joined AmInvestment Bank Bhd as an Executive in its Corporate Finance division. In 2007, he was posted by AmInvestment Bank Bhd to AmFraser Securities Pte Ltd in Singapore as the Director/Head of Corporate Finance. In 2013, he left AmFraser Securities Pte Ltd and joined AmWater Investments Management Pte. Ltd. Singapore, as the Chief Investment Officer and was responsible for private equity investments in water projects in North Asia. He left Amwater Investments Management Pte Ltd in 2014 and joined Venstar Capital Management Pte Ltd in Singapore as a Senior Vice President being involved in private equity investments. He left the company and joined KGI Securities Pte Ltd in 2015 as its Head of Corporate Finance until 2017. He currently sits on the Board of Siab Holdings Berhad as Independent Non-Executive Director. He is also the Independent Non-Executive Chairman of Versalink Holdings Limited, listed on Catalist Board of Singapore Stock Exchange. He also holds directorship and shareholdings in several private limited companies. He is also a member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management & Sustainability Committee.

MR FELIX LEONG
(Senior Independent Non-Executive Director)

Mr Felix Leong, Male, 61 years of age, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 22 June 2022 and was identified as Senior Independent Non-Executive Director on 26 August 2022. He graduated with a Bachelor of Arts degree in Economics and Administrative Studies from The University of Winnipeg, Manitoba, Canada in year 1985. He began his career as an accounts officer in an industrial insulation company in year 1986, and later worked in several companies before joining the AmBank Group in year 1995 where he worked for more than 25 years in the Labuan banking industry. He had held the position of Head/Principal Officer of AmBank (M) Bhd, Labuan Offshore Branch, since year 2014 until his retirement in early 2022. He currently manages several offshore trading companies in Labuan. He is the Chairman of the Audit Committee, Nomination Committee, member of the Remuneration Committee and Risk Management & Sustainability Committee.

Notes to the Directors' Profile:

Family Relationship with any Director and/or major shareholder

Save for Mr Pandjijono Adijanto @ Tan Hong Phang and Ms Mariana Adijanto @ Tan Phwe Leng who are siblings, none of the Directors have any family relationship with any other Director and/or Major Shareholder of the Company.

List of Conviction for offences within the past 5 years

None of the Directors have been convicted for any offences (other than traffic offences) within the past 5 years. There were no public sanction or penalty imposed by the regulatory bodies during the financial year.

DIRECTORS' PROFILE (CONT'D)

Conflict of Interest with the Company

None of the Directors have any conflict of interest involving the Company and its subsidiaries.

Attendance at Board Meetings

The details of attendance of the Directors at the Board Meetings during the financial year are set out on page 35 of this Annual Report.

Directors' Shareholdings

The details of Directors' shareholdings are set out in the Analysis of Shareholdings on page 139 of this Annual Report.

Directorship in other public companies

Save for Datuk Lim Tong Lee, none of the Directors hold any other directorships in any public companies and listed issuers.

KEY SENIOR MANAGEMENT'S PROFILE

MR CHANG KON SANG
(CEO)

The profile of Mr Chang Kon Sang is disclosed in page 3 of the Annual Report.

MR LIM HONG CHIN
(Chief Operating Officer and Managing Director of Harrisons Sarawak Sdn. Bhd.)

Mr Lim Hong Chin, Male, 68 years of age, a Malaysian was appointed as the Managing Director of Harrisons Sarawak Sdn. Bhd. since 1 Oct 1990. Mr Lim graduated from University of Warwick, UK with a BA (Honours) in Economics in 1979. Before his appointment as the Managing Director, Mr Lim held various positions in companies within the Harrisons Group, including Branch Manager of Sibu and Miri, Area Sales Manager Sarawak (based in Kuching), and Marketing Manager of Sabah, Sarawak and Brunei Darussalam (based in Kota Kinabalu).

MR LOW KONG CHOON
(Chief Financial Officer/Group Company Secretary)

Mr Low Kong Choon, Male, 65 years of age, a Malaysian was appointed as the Chief Financial Officer/ Group Company Secretary on 5 February 1991. Mr Low is a Fellow of the Australia Society of Certified Practising Accountant, a Chartered Accountant registered under the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators. Mr Low worked as a financial controller for Bain Securities Ltd, Hong Kong and Bain & Co, Sydney from year 1987 to 1989. Mr Low has been overseeing Harrison's Group's financial, tax and secretarial matters for over 30 years.

MR ANG LIAN WAL
(Managing Director of Harrisons Sabah Sdn. Bhd.)

Mr Ang Lian Wal, Male, 60 years of age, a Malaysian was appointed as the Managing Director of Harrisons Sabah Sdn. Bhd. since 1 October 2019. Before that, he was appointed as the Associate Director on 1 July 2016 and later as the Director on 1 January 2011. Mr Ang graduated from Universiti Utara Malaysia, Kedah, Malaysia with Bachelor Degree in Public Administration (Hons) in 1989. He has served in Harrisons Sabah Sdn. Bhd. since January 1993. Before his appointment as the Managing Director, Mr Ang held various positions in the Company, including Branch Shipping Executive and Shipping Manager of Tawau, East Coast Shipping Manager (based in Tawau), Branch Manager of Tawau, General Sales Manager for Nestle business (based in Head Office, Kota Kinabalu) and General Manager who took charge of overall business for Nestle, shipping, chemical & fertilisers, technical products and travel.

MR TEE CHEE CHIANG
(Managing Director of Harrisons Peninsular Sdn. Bhd.)

Mr Tee Chee Chiang, Male, 57 years of age, a Malaysian was appointed as the Managing Director of Harrisons Peninsular Sdn. Bhd. ("HP") on 1 July 2013. Mr Tee graduated from University Sains Malaysia, majoring in Economics and has been in the building materials supply industry for over 23 years. He joined HP as a Marketing Manager in 1995 and was promoted to the General Manager before his latest appointment. Mr Tee currently oversees the overall business operation of HP's diversified business in the distribution of building materials; agro/industrial chemicals; importers of fine wines and whiskies and also agent of air/sea freight forwarding.

KEY SENIOR MANAGEMENT'S PROFILE (CONT'D)

Notes to Key Senior Management's Profile

- None of the key senior management holds any other directorship in other public companies and listed issuers nor have any family relationship with any Directors and/or major shareholder of the Company.

- None of the Key Senior Management has any conflict of interest with the Company and has no conviction for any offences within the past five (5) years and there was no public sanction or penalty imposed by the relevant regulatory bodies against the Key Senior Management during the financial year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Harrisons Holdings (Malaysia) Berhad ("Harrisons") and its Group of Companies ("Group") for the financial year ended 31 December 2022.

FINANCIAL PERFORMANCE

The strong gross domestic product growth of 8.7% for 2022 of the Malaysia economy shows the recovery of consumer, business and investor confidence in the national economy. Many business operations return to normal in 2022 as the COVID19 pandemic subsided in 2021.

We are pleased to report that the Group has delivered another record revenue and profits for financial year 2022. Revenue for financial year 2022 surpassed the RM2 billion mark for the first time increasing by RM242.6 million (12.56%) and Profits After Tax increasing by RM23.5 million (52.85%) compared to financial year 2021. Full details of the Group Financial Performance are disclosed in the Management Discussion and Analysis.

DIVIDENDS

The Board has not adopted any dividend policy but has been able to consistently deliver reasonably good dividends over the years. Dividend payments are subject to Group's profitability, long-term plans and cash flow position. Basic earnings per share increased to 97.47 cents for the financial year 2022 as compared to 60.95 sen in the previous financial year. The Company proposes to declare a final single-tier dividend of 50 sen per ordinary share in respect of the financial year ended 31 December 2022 (2021: 30 sen).

MOVING FORWARD

The country's GDP growth is expected to moderate to 4% to 5% in 2023, in line with the latest global economic outlook of 2.9% published by IMF and World Bank for 2023. There is still a lingering risk of the Ukraine-Russia conflicts which could worsen causing further global supply chain disruptions. Domestically, we are concern with the inflation and high cost of living in an environment of high interest rates.

We anticipate to see moderate growth in our core business of trading and distribution. Anticipation of growth in 2023 will be in tandem with the growth of our country's national GDP. Management will continue to monitor and manage operational risks associated with increases in cost of transport, wages, receivables and stocks.

ACKNOWLEDGEMENTS

We are honoured to receive The Edge Centurian Club Award for the highest growth in Profit After Tax over 3 years under the Consumer Products and Services Sector.

At this juncture, I would like to express my appreciation to the Management team and all our employees who have worked hard to drive the Group's growth forward. A word of thanks also to our valued customers, shareholders, merchants and business associates for their continuous support. Together, we look forward to a brighter year for Harrisons in 2023.

Thank you.

Pandjijono Adijanto @ Tan Hong Phang
Non-Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business Activities

Harrisons' income is mainly derived from the marketing, sales, warehousing and distribution of consumer, building materials and engineering products, fine wines, agricultural and industrial chemicals, and the operation of shipping/logistics, travel agencies and retailing. These businesses are conducted as follows:

a. In East Malaysia, Harrisons Sabah Sdn. Bhd. and Harrisons Sarawak Sdn. Bhd. are involved in the marketing, sales, warehousing and distribution of fast-moving consumer goods, building materials, engineering products and agricultural chemicals as well as the operation of shipping and travel agencies; and

b. In Peninsular Malaysia, Harrisons Peninsular Sdn. Bhd. and Harrisons Marketing & Services Sdn. Bhd. are involved in the marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemicals, and import and distribution of fine wines as well as the freight forwarding and shipping.

   Presently, Harrisons has over 400 principals, and distributes approximately 13,000 product items to over 15,000 accounts spread all over Malaysia. The Group operates a total network of 27 branches and 47 warehouses strategically located throughout Malaysia (13 in Peninsular, 9 in Sabah and 5 in Sarawak) and is supported by over 1,700 employees.

c. In Singapore, our subsidiaries The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. wholesale and retails the Famous Amos Cookies and Watts Harrisons Sdn. Bhd. wholesale the Komonoya brand products with uniform prices.

Objectives and Strategies

Harrisons' objective is to focus on its core strength of marketing and distribution, and to maintain its position as one of the leading distributors in Malaysia. The Group will continue to expand the sales of the Fast-Moving Consumer Goods and Building Materials by securing new agencies of good quality products and to grow its customer base in East and West Malaysia.

Financial Performance Review

The Group continued to register another milestone for the financial year 2022, with strong growth achieved for both revenue and earnings.

<u>Revenue</u>

	2022 RM'000	2021 RM'000	Changes RM'000	Growth %
Fast-Moving Consumer Goods	1,750,798	1,571,226	179,572	11.43
Building Materials and Engineering Products	312,724	265,268	47,456	17.89
Industrial and Agricultural Chemical Products	55,514	47,426	8,088	17.05
Retailing	37,445	37,339	106	0.28
Others	17,634	10,222	7,412	72.51
Total Revenue	**2,174,115**	**1,931,481**	**242,634**	**12.56**

For the first time, Harrisons' revenue surpassed the RM2 billion mark for financial year 2022. Revenue increased from RM1.93 billion in financial year 2021 to RM2.17 billion in financial year 2022. The increase is mainly due to strong sales of our Fast Moving Consumer Products Division and the Building Materials and Engineering Products Division as the domestic economy fully opens up and recovers from the COVID19 pandemic in financial year 2022.

Dedication of our sales team and the close working relationship and support from our principals helped us to push sales to a higher level despite concerns about the price increases of goods.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Gross Profit

Gross Profit increased from RM216.78 million in financial year 2021 to RM254.15 million in financial year 2022. Gross Margin was higher in financial year 2022 due to lower cost of sales arising from higher incentives from principals for achieving sales targets and writebacks of ullages provision and stock costings.

Profit Before Taxation

The Group achieved the highest ever Profit Before Taxation for FY2022 of RM89.88 million, a substantial increase of RM31.24 million (53.29%) over financial year 2021. Sales of our key agencies for our Fast-Moving Consumer Products continue to record impressive growth achieving sales targets and Key Performance Indicators ('KPIs'), thereby qualifying for incentives from our principals. Operation costs was also lower due to the close monitoring of selling and distribution expenses, and prompt collections for credit sales, thereby reducing provision for bad debts.

Profit After Taxation

Profit After Tax increased from RM44.48 million in financial year 2021 to RM67.98 million in financial year 2022, reflecting an increase of 52.85%. This remarkable result, in the midst of many challenges proved the ability, dedication and commitment of the management team to drive the Group forward.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Segmental information
FY2022

	Trade and Distribution RM'000	Retail RM'000	Shipping and Others RM'000	Group RM'000	%
Geographical market					
Sabah	1,185,978	-	15,808	1,201,786	55.28
Sarawak	587,107	-	834	587,941	27.04
Peninsular Malaysia	345,951	3,607	992	350,550	16.12
Singapore	-	33,838	-	33,838	1.56
Total Revenue	2,119,036	37,445	17,634	2,174,115	100.00
Profit Before Interest and Tax	81,207	5,768	6,696	93,671	
Interest income	1,767	45	8	1,820	
Finance costs	(5,266)	(338)	(10)	(5,614)	
Profit before taxation	77,708	5,475	6,694	89,877	

The Trade and Distribution Segment which is mainly in Fast-Moving Consumer Products businesses in Sabah and Sarawak continued to perform well in financial year 2022, exceeding last year's Profit Before Tax by RM27.42 million (54.54%). The increases in selling prices of the consumer goods did not have a dampening impact on sales volume. The sales of Building Materials and Engineering Products mainly in Peninsular Malaysia contributed close to 14.38% of total revenue recorded a growth of 17.89% as construction activities picked up in financial year 2022.

The Profit Before Tax for the small Retail Segment decreased from last year of RM8.51 million to RM5.48 million this year by RM3.04 million. The decrease in Profits Before Tax for this segment is due to the absence of government wage subsidies and rental rebates of RM3.1 million which was granted by the Singapore government in financial year 2021.

The Shipping and Others Segment Profit Before Tax is RM6.69 million for financial year 2022 as compared to Loss Before Tax of RM163,000 in financial year 2021. Shipping Division results improved by RM7.3 million in financial year 2022 as economic activities in Sabah picked up. However, the provision for fair value loss on financial assets at FVTPL was higher at RM1.45 million in financial year 2022 due to the unfavourable performance of the stock market globally.

Group Cash Flow

The Group Cash Flow showed cash used in operating activities of RM1.3 million. More cash was tied up in inventories and trade and other receivables as at 31 December 2022.

The Group's cash used in investing activities is RM19.6 million as the Group have purchased a piece of land in Kota Kinabalu Industrial Park during the year for the construction of a new central warehouse in Kota Kinabalu. Five of our rented warehouses will then be relocated to this new central warehouse when construction is completed. This will enhance operating efficiencies in managing our warehouses in future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Group Financial Position

Trade and Other Debtors increased by RM27.42 million as at 31 December 2022 due to higher sales generated during financial year 2022. Inventories increased by RM81.80 million at the end of the year due to stock up of inventories at the year end. Bank borrowings were higher in financial year 2022 due to higher utilisation of bankers acceptances facilities to finance the increase in sales and inventories during year 2022. Net current assets continue to improve to RM324.6 million indicating that our businesses are in a strong liquidity position to pay off our short-term obligations.

Strategies and Future Profit Growth

The Management will continue to focus to instil a growth mind-set to our sales force to adapt to changing market conditions. A pro-active support and motivation is provided to all our staff not only neccessarily in the form of monetary rewards but also promoting unity and a safe and better working environment.

We will focus on achieving a wider coverage of the market and to improve efficiencies to deliver our products to our customers via our comprehensive network of branches, warehouses, skilled sales force and backend support. The completion of our ERP system in Sabah will streamline our business processes to enable us to cope with the increasing voluminous transactions in future. We will continue the roll out our ERP system to Sarawak in 2024. The Group will continue to improve operating efficiencies by leveraging on upgraded technology and systems to compete.

Prospects

On the global front, we expect global geopolitical tensions, slow global growth, increase food prices and affordability to impact the domestic economy 2023. However, 85% of our business is in the FMCG sector and it has been proven that our business is resilient to the effects of the pandemic and moderate price increases. As such, we remain confident that our medium to long term outlook of our trading and distribution business remains positive and is well positioned to grow.

SUSTAINABILITY REPORT

1) Introduction

Sustainability is becoming a key component for companies to promote value creation, and demand for increased transparency on listed companies' economic, environmental, social ("EES") and corporate governance practices have been growing among investors.

At Harrisons, sustainability has always been a part of the Group's culture as we strive to achieve continuous financial performance and uninterrupted growth. Recognising the relevance of sustainability in our business values, our report on sustainability aims to illustrate our approach to address sustainability challenges in contributing towards the betterment of the business, environment and society.

We are pleased to present our Sustainability Report ("Report") for the financial year ended 31 December 2022. This Sustainability Report covers our Group's business operations and has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to the Sustainability Statement in Annual Report of Listed Issuers ("Guidelines") issued by Bursa Securities. The scope of this Report covers the sustainability performance and practices across our Group from 1 January 2022 to 31 December 2022, unless otherwise stated. The Group did not seek external assurance for this report but may consider doing so in future. We have relied on internal data and mechanism to ensure the accuracy of information disclosed in this Report.

2) Corporate Profile

Harrisons was incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016 on 9 March 1990 as a private limited company under the name of Jantoco Trading Sdn. Bhd. and assumed its present name on 3 September 1991. It was converted to a public company on 28 April 1992.

Companies within the Group were purchased from Harrisons and Crosfield PLC (a public company listed on the London Stock Exchange), and well known previously in Malaysia particularly for the plantations it operates under Harrisons Malaysia Plantations Berhad. The oldest company in the Group, Harrisons Sabah Sdn. Bhd. (formerly known as Harrisons Trading (Sabah) Sdn. Bhd.) (renamed from Harrisons and Crosfield (Sabah) Sdn. Bhd. subsequent to its purchase from Harrisons and Crosfield PLC), came into being on 1 May 1918, bearing the name Harrisons and Crosfield (Borneo) Ltd.

Harrisons was listed on the Main Market of Bursa Malaysia in October 1999.

Harrisons' income is mainly derived from the marketing, sales, warehousing and distribution of consumer, building materials and engineering products, fine wines, agricultural and industrial chemicals, retail and wholesale of baked cookies and household products, and the operation of shipping/logistics and travel agencies. These businesses are conducted as follows:

(a) In East Malaysia, Harrisons Sabah Sdn. Bhd. and Harrisons Sarawak Sdn. Bhd. are involved in the marketing, sales, warehousing and distribution of fast-moving consumer goods, building materials, engineering products and agricultural chemicals as well as the operation of shipping and travel agencies; and

(b) In Peninsular Malaysia, Harrisons Peninsular Sdn. Bhd. and Harrisons Marketing & Services Sdn. Bhd. are involved in the marketing, sales, warehousing and distribution of building materials, Fast-Moving Consumer Goods (in Muar and Batu Pahat only), industrial and agricultural chemicals, and import and distribution of fine wines as well as the freight forwarding and shipping; and

(c) In Singapore, our two (2) subsidiaries The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. retails and wholesale the Famous Amos Cookies and Watts Harrisons Sdn. Bhd. wholesale the Komonoya brand products in Singapore.

3) Governance

Harrisons is governed by the Board of Directors which oversees the overall sustainability initiatives and sets policies to drive sustainability practices in the Group. This includes ensuring that the business strategy undertaken considers sustainability in determining the Group's strategic direction. The Board, via the Risk Management & Sustainability Committee is supported by the Management in overseeing the implementation of sustainability strategy and considers input of all business divisions/department/functions in sustainability processes.

Board of Directors	Oversight of the Group's business sustainability strategy, performance and to ensure adequate resources, systems and process are in place for managing sustainability matters.
Risk Management & Sustainability Committee	Assist the Board in discharging its duties which includes considering sustainability matters when developing and implementing company strategies, business plans, major plan of actions, risk management and adequate resources, systems and process are in place for managing sustainability matters.
Group Chief Risk Management & Sustainability Officer	Oversees the implementation of the Company's key strategic sustainability initiatives with support from respective subsidiary's Chief Risk & Sustainability Officer and assistance by the Group Company Secretary.

4) Stakeholders Engagement

The Group recognises the importance of effective communication to ensure that our stakeholders understand our business, governance, financial performance and prospects. An important starting point in our sustainability journey is to identify our stakeholders and the material aspects relevant to our business.

Our stakeholders profile has been determined based on ongoing stakeholder dialogue and a review of issues that are critical to Harrisons. We define our stakeholders as those impacted by our business activities, who have direct and indirect involvement and whose interest may have positive or negative consequences due to our business activities. The interests and requirements of key stakeholders are also considered when formulating corporate strategies. These key stakeholders include, but are not limited to, principals, financiers, employees, customers, government/regulators and investors.

The Group is committed to engaging all our stakeholders as part of our continued sustainability endeavors. We view stakeholder engagement as a continual process and not a one-off event. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships. The following table represents the stakeholder engagement methods which the Group adopts in its sustainability practices to meet the EES requirements.

Stakeholder Group	Principals	Financiers	Employees	Customers	Government / Regulators	Investors
Engagement Method	-Meetings -Emails -Company Website -Marketing Activities -Surveys	-Update of Business Development -Update of Group Financials -Visiting Key Personnel of Banks	-Annual Performance Review -Staff Annual Dinner -Employee Events -Knowledge Sharing Sessions -Management Meetings	-Satisfaction Survey -Conventions -Roadshows -Marketing Materials -Store Openings	-Events and Seminars -Meetings -Briefings and Trainings -Attend Dialogues/Seminars Organised by Bursa Securities	-Annual General Meeting -Company Website -Annual Report -Quarterly Reports -Company Announcements

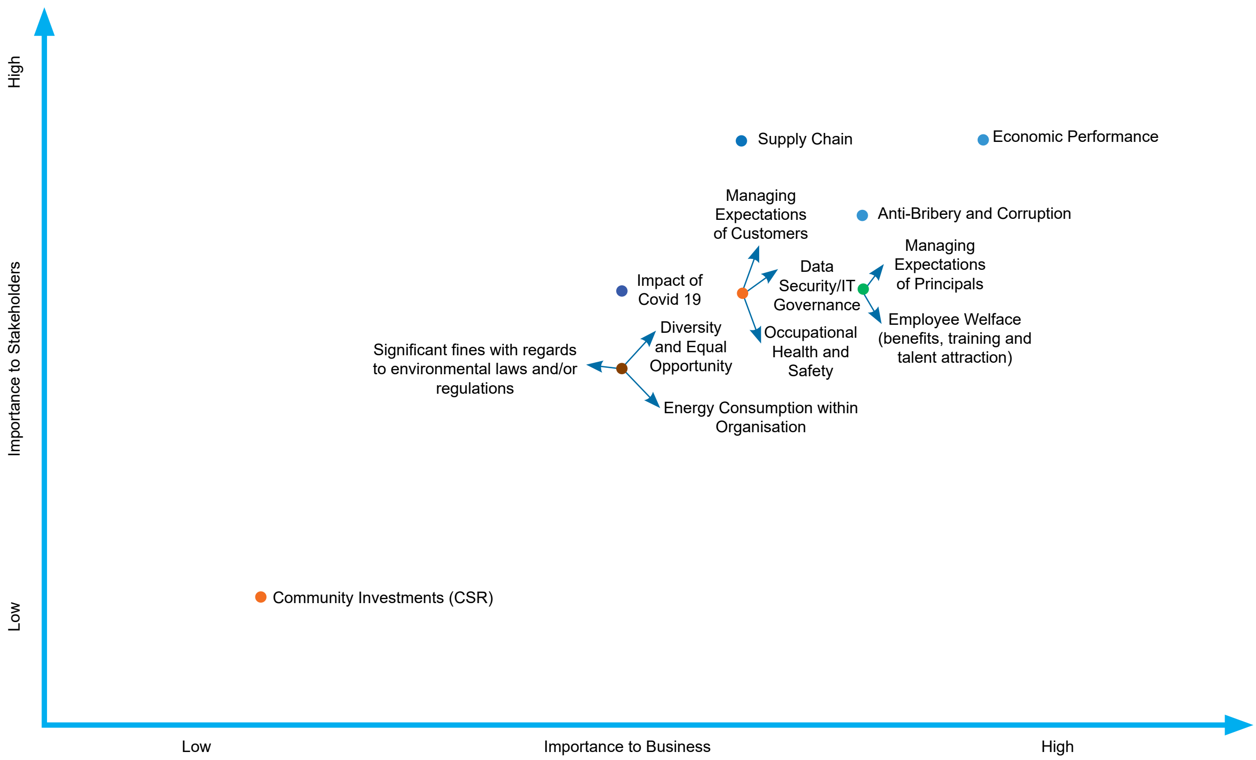
SUSTAINABILITY REPORT (CONT'D)

5) Materiality Assessment

Our sustainability process begins with the identification of material topics. To determine if an aspect is material, we assessed its potential impact on the economy, environment and society and its influence on the stakeholders.

We have identified these material topics for reporting based on the significance of our EES and economic impacts and the degree of influence where we see the most potential for creating maximum value for our shareholders and stakeholders. The identified topics are then prioritised. A comprehensive list of material topics are plotted against the matrix as described below, which shows the importance of each topic to the business and to our stakeholders.

The materiality assessment was guided by inputs and perspectives from our Management. Our materiality review are conducted every year, incorporating inputs gathered from stakeholders' engagements. The matrix below represents the results of our materiality study.



There has been no significant changes in the Group's operations during the current year. Nevertheless, our materiality assessment had identified one new material item, i.e. Data Security/IT Governance, while 3 existing material topics namely Employee Benefits, Talent Attraction, Development and Retention and Employee Training has been grouped under a single material item as Employee Welfare.

We have retained the remaining material sustainability matters as these topics continue to be relevant to our stakeholders and to our Group's business operations in order for the Group to address and communicate in this report.

6) Managing Sustainability

ECONOMIC

Financial Performance

We are committed to achieving economic sustainability growth for our shareholders. We conduct our business in compliance with applicable laws and regulations and in accordance with high ethical business practices and good corporate governance.

As part of Harrisons' journey to incorporate a sustainable business practices in the long term, the Group is committed to a holistic approach to business management. Harrisons believes that focusing on financial sustainability is critical.

The Group's financial review and outlook are elaborated in the Management Discussion and Analysis section of this Annual Report.

Managing Expectations of Principals

Managing expectations of principals was identified as one of the most important material issues across the Group. Presently, Harrisons has over 400 principals, and distributes approximately 13,000 product items to over 15,000 accounts spread across Malaysia.

Harrisons' objective is to focus on its distribution business and aims to maintain its position as a leading distributor. As such, knowing exactly what principals expect from us improves our bottom line and strengthens our reputation in the long term. Engaging with our principals regularly enable us to understand their needs and expectations, identify gaps and enable us to make informed assessments and formulate strategies for execution to bridge such gaps.

We have completed our Enterprise Resource Planning ("ERP") system for Sabah in 2022 and will implement it in Sarawak in 2024. This new ERP system is expected to enhance the efficiencies of our business processes and assist us in managing our businesses more efficiently. It will also allow us to meet the speedy information demands by our principals and customers.

As for our suppliers, active engagement is done on a regular basis to align our requirements and expectations with them, thereby ensuring sufficient resources being obtained and seamless execution of our operations.

Managing Our Customers

We aim to provide products/services which meet customers satisfaction and exceed their expectations. We encourage our customers to provide their feedback. The feedback obtained is reviewed and relevant follow-up actions are performed to improve customer satisfaction.

While meeting our customers' satisfaction and requirements, the Group is also mindful that an equilibrium needs to be achieved with the appropriate strategies in sustaining our business. In managing our customers, the Group has implemented policies to ensure that credit sales of products and services are made to customers with an appropriate credit standing or with an appropriate credit history.

Managing COVID-19 Endemic

The group takes seriously the impact of COVID19 endemic on its business operations and safety and health of all its employees. The government had uplifted most restrictions as the country transitioned into the endemic phase of COVID-19.

While the nation has entered the endemic phase of the COVID-19 infections and the infection rates are now under control, the Group continues to implement stringent health and safety standard operating procedures in compliance with regulations of Kementerian Kesihatan Malaysia to prevent any future outbreak of disease. Provision of self-test kits and self-quarantine are among the practices that are on-going and the Company will implement additional measures when necessary to prevent the spread of COVID19 endemic.

BUSINESS COMPLIANCE

Directors' and Employees Code of Ethics

The Group has a Directors' and Employees Code of Ethics that sets out the standards and ethical conduct expected of all Directors and Employees of the Group.

The Directors' and Employees Code of Ethics provides commitment to ethical values through key requirements relating to conflict of interest, confidential information, insider information, protection of the Group's assets and compliance with law and regulations.

Corporate Governance

Harrisons is guided by the Malaysian Code on Corporate Governance 2021. We are proactive in promoting good corporate governance and ensures that the principles and best practices of good governance are applied throughout the Group. The details of our corporate governance practices of the Group are elaborated in the Corporate Governance Overview Statement of this Annual Report.

We have established standard operating policies and procedures, defined levels of authority and guidelines in our business operations to ensure compliance with internal controls, laws and regulations. These policies, procedures and guidelines are subjected to regular reviews and improvements.

Anti-Bribery and Corruption

Harrisons has put in place in 2020 a Anti-Bribery and Corruption ("ABC") Policy to comply with the Malaysian Anti-Corruption Act 2009. The ABC Policy prohibits any forms of bribery or corruption applicable to Directors, employees and third parties dealing with the Company.

A Gift, Hospitality and Entertainment Policy was drafted to provide more details on guidance and limits to employees on what is permissible and non-permissible when offering or accepting gifts, hospitality or entertainment.

There are established channels of reporting for breaches under the ABC Policy, Whistle Blowing Policy and Code of Conduct and Ethics for Directors and Employees.

We have notified our suppliers, customers and third-party intermediaries (like transporters and consultants) and employees to sign and declare that they agree to the ABC Policy if they transact with us.

This Anti-Bribery Policy and Practices is also a feature in our Risk Management practices.

In 2022, we are pleased to report that there were no confirmed incidents of corruption. The Group will continue to target zero incidents of corruption in the Group for the next financial year and beyond.

Common Sustainability Matter	Common Indicators	Measurement	FY2021	FY2022
Anti-corruption	(i) Number of employees that have received training on anti-corruption by employee category			
	Directors	-	14	14
	Executives	-	246	256
	Non-executives	-	1,506	1,533
	Total		1,766	1,803
	(ii) Total number of operations assessed for corruption-related risks			
	The 3 operations assessed are :			
	-Purchase	-	3	3
	-Sales	-	3	2
	-Warehouse/Admin	-	3	3
	Total		9	8
	(iii) Confirmed incidence of corruption and action taken	-	0	0

Risk Management

The Group has an ongoing risk management process for identifying, evaluating and managing key risks in the context of its business objectives. When identifying material ESG matters for our Group, we also consider its potential sustainability risks and opportunities aspect. Wherever applicable, material ESG matters identified will be mapped to our existing risk registers via our ongoing quarterly review of the Group's risk profile. To a certain extent, the management of these material ESG matters has been addressed via our existing risk management process, while other material matters may not fall under as key risks in our risk profile but are addressed accordingly as disclosed in this report. These processes are embedded within the Group's overall business operations and are guided by operational manuals, policies and procedures and are regularly reviewed by the Board.

Our material ESG matters and the link to our risk profile of the Group are indicated in **Table 1** below.

Table 1

Identified Material ESG Matters	Related Key Risks in Our Risk Register	Related ESG Matters	Potential Opportunities and Benefits Associated with the Management of Risk for the Implementation of our Strategies for Sustainability	How Does This Risk Affect Our Sustainability of the Group	Measures Undertaken to Manage the Risks to Sustain Our Business
Economic Performance	Credit Risk-Bad Debts	•Complaints from Customers •Complaints from Principals	•Prompt collection enhances free cash flow •Decrease cost of capital/finance •Improves Profitability •Retains confidence of principals and bankers	•Huge uncollected debts will impact our profitability and the ability to repay its debts in the long term.	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •Review of overdue debtors •Follow-up on outstanding amounts •Review of debtors' accounts and credit limit
	Market Returns & High Trade Spend	•Complaints from Customers •Complaints from Principals	•Opportunity to Improve profitability over the long term •Outlets selling fresh stock •Improve margin and to minimise obsolete stock write-off and disposal •Less warehouse space is required to store goods •Sales team are able to focus their sales instead of market returns •Enable sales team to achieve their sales target more consistently and in a sustainable manner	•Affects long term profitability •Inefficient managing market returns/write-off high operation costs, high rejection claims will impact company's profitability	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •Monthly monitoring of stock levels •Analysis of market returns •Analysis of stock position SOP's pertaining to the associated risk has also been identified.
	Covid-19	•Impact of Covid-19	•Healthy employees improve company health and culture in terms of productivity, energy, engagement, morale and job performance. Healthy employees are also more focused and aware. The Company will continue to monitor and identify opportunity to strengthen internal control process to provide a reasonable degree of security regarding the achievement of the objectives in terms of operations, reporting and compliance on Covid-19 risk management	•Covid-19 will impact Harrisons operations and objectives of the Company in terms of our sales and distribution, especially on delivery	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •Provide hand sanitizer to employees •Disinfection at work premises when needed •Compliance to SOP's issued by MKN The Company continues to monitor/identify risks associated with Covid-19 at workplace despite the ease of restriction measures
		•Occupational Health and Safety	•Healthy employees are more focused and aware. Being actually present in mind as well as body greatly reduces the job performance risk of injury.	•Slow-down of operations	Implementation of self-test kit for Covid-19 has been in place. The Company has an ongoing process to determine the self-test procedures on Covid-19. Where a staff self-test kit outcome is positive, a PCR test is required. •Staff with positive Covid-19 are required to register with MySejahtera and to undergo home isolation or surveillance order

Table 1 (CONTINUED)

Identified Material ESG Matters	Related Key Risks in Our Risk Register	Related ESG Matters	Potential Opportunities and Benefits Associated with the Management of Risk for the Implementation of our Strategies for Sustainability	How Does This Risk Affect Our Sustainability of the Group	Measures Undertaken to Manage the Risks to Sustain Our Business
Economic Performance	Margin Squeeze	•Complaints from Principals	•Opportunity to explore new business with good trading terms to improve business revenue and profitability	•Loss of key agencies will affect the long-term sustainability and reputation of the company •Margin squeeze from principal will affect Company's bottom-line and will cause inability to compete in the market, tying up our capital for other business opportunities	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •Ongoing process to explore new business/new principal with good trading terms. •The Company is in the process of measuring and will form an action plan to reduce "Selling and Distribution Expenses" to mitigate the effects arising from principal squeezing agency margins
	Over-Stocking	•Supply Chain Management	•Reduces waste due to bad goods write-offs •Reduces capital tied up in excessive stock clearance exercise •Enhance productivity of sales and warehousing departments as less time and resources spent on stock	•Over-stocking leads to inefficient working capital management and losses in the long run	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •Monthly reports on action taken and results achieved on over-stocked items •Status of stock ageing for respective agency
	Loss of Agencies /Principals	•Complaints from Customers •Complaints from Principals	•Satisfied principals brings in more business either through introduction/linkage to potential principals or place new products business with the Company	•Loss of key agencies will affect the profitability of the Company	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •Monitoring of sales performance •Maintain competent salesforce and minimise staff attrition of service team •Ensure principals targets are met •Improve knowledge of market trends to avoid slow-moving items

Table 1 (CONTINUED)

Identified Material ESG Matters	Related Key Risks in Our Risk Register	Related ESG Matters	Potential Opportunities and Benefits Associated with the Management of Risk for the Implementation of our Strategies for Sustainability	How Does This Risk Affect Our Sustainability of the Group	Measures Undertaken to Manage the Risks to Sustain Our Business
Economic Performance	Loss of Bankers	•Complaints from Customers •Complaints from Principals	•Happy bankers offers more facilities •Bankers refers Harrisons to customers and principals	•Inability to service debts and expand business will impact the Company in the long run	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •Maintain bankers' confidence via good results and compliance •Maintain good rapport and constant contact •Maintain Company's good standing in the community
Anti-Bribery and Corruption	Anti-Bribery and Corruption	N/A	•Opportunity to inform our stakeholders on our zero tolerance to bribery and receive assurance to transact with us and our staff to be made aware on our ABC Policy.	•Litigation risks which could tarnish the Company's image and may lose trust from our business partners	•The Group's ABC Policy is in place and uploaded in the Company's website and ongoing trainings are provided for our staff
Employee Welfare	Staff Attrition	N/A	•Stable sales team allows representatives to master best practices in field sales management •Opportunity to identify proper succession planning •Promotes the Company as the preferred choice of business partner with strong sales team	•High staff turnover will create instability in performing sales task effectively and efficiently	The related ESG matters that are linked to our key risks are assessed under our ERM Framework and there are ongoing controls to manage the identified risk in our risk register such as: •New staff induction programme •Field management best practices module •Field sales coaching and training •Executive appraisals
Data Security/IT Governance	N/A	•Complaints from Customers •Complaints from Principals	•No lawsuits and fines reduces the financial pressure and image of the Company •Time and effort saved from the above can be channeled to business	•Significant fines to the Company can lead to cashflow problems. •Failure to keep customer and principals' data securely can cause customer and principal to lose confidence in the Company and loss of reputation	Ongoing controls to ensure data is protected. May conduct Disaster Recovery exercise and audit of data security of Company in the future.

ENVIRONMENT

Environmental Laws and Regulations

In 2022, there was no incidence of material non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record for the next financial year and beyond.

Environmental Compliance	FY2021	FY2022
Incidents of non-compliance with environmental laws and regulations	Nil	Nil

Energy Management

Harrisons is fully aware of its responsibility for nurturing the environment and lessening negative environmental consequences at our workplace and the environment where we operate.

We are committed to preserving the environment by implementing environmental-friendly practices in our operations. At our workplace, we encourage energy saving measures such as controlling the air conditioning temperature at reasonable level and turning off electrical appliances when no one is using. We practice recycling at our offices and reuse recycled papers whenever possible, to reduce paper usage.

Packaging materials and waste are properly segregated to be recycled or turn into handcraft, flower pots and pavement. Our staff participate in projects with our partners to clean and sustain the environment.

Further details of our energy consumption are detailed in **Table 2** below.

SOCIAL

Engaging with Our Employees

Two-way communication in the workplace is vital for alignment between employees and our Group's overall business strategy. Continuous open dialogue is the main platform used to engage our employees. Open dialogues are conducted informally to encourage employees to raise any issues to management. We believe that this provides a more interactive and direct channel for any form of feedback.

Employee Welfare and Benefits

Our work environment is aimed at providing a fair performance-based work culture that is diverse, inclusive and collaborative. We also encourage our people to reach their fullest potential and provide them with a fulfilling and meaningful career. We have structured attractive remuneration packages to ensure employees are justly rewarded and to ensure that we remain competitive to attract strong talent.

An employee handbook is in place covering the policies, benefits, procedures and code of conducts that have to be abided by the employees under the Group. As for employees' benefits, apart from complying with the statutory requirements in Malaysia, benefits such as staff uniform, company transport, meal allowance and Group hospitalisation insurance are also provided to all employees.

Employee wellbeing has important implications for productivity and work relationships. To promote a healthier and active lifestyle among employees, the Group supports in-house Sport Clubs which organises various sports and recreational activities on a regular basis.

Diversity and Equal Opportunity

Building and retaining talent are both critical in growing the Group as the continuous growth of the Group needs talented employees. We pledge to the principle of equal opportunity in hiring, promoting and rewarding our employees. Having a diverse workforce with equal opportunity regardless of age, race and gender is one of the ways to build and retain talent.

As at 31 December 2022, Harrisons employed 1,803 people. The diversity of Harrisons workforce in terms of gender, age, ethnicity and disability as at 31 December 2022 is as follows:

Number of employees by gender, age group, ethnicity and disability, for each employee category											
FY2021	**Gender**		**Age Group**			**Ethnicity**				**Disability**	
	Male	**Female**	**< 30**	**31-50**	**> 50**	**Bumiputra**	**Chinese**	**Indian**	**Other**	**Yes**	**No**
Directors	13	2	2	1	12	0	15	0	0	0	15
Executives	151	100	26	147	78	19	222	2	8	1	250
Non-Executives	924	576	455	828	217	702	624	13	161	0	1,500
Total	1,088	678	483	976	307	721	861	15	169	1	1,765
Grand Total	**1,766**		**1,766**			**1,766**				**1,766**	
FY2022	**Gender**		**Age Group**			**Ethnicity**				**Disability**	
	Male	**Female**	**< 30**	**31-50**	**> 50**	**Bumiputra**	**Chinese**	**Indian**	**Other**	**Yes**	**No**
Directors	13	2	2	1	12	0	15	0	0	0	15
Executives	147	104	21	152	78	21	219	2	10	1	251
Non-Executives	934	603	538	777	222	791	628	13	104	0	1,536
Total	1,094	709	561	930	312	812	862	15	114	1	1,802
Grand Total	**1,803**		**1,803**			**1,803**				**1,803**	

Employee Training and Development

Every employee plays an essential role in the Group. We focus on attracting and retaining talent and then helping them to develop their skills to drive our Group's success. Harrisons is highly regarded as an employer and has successfully nurtured and retained a pool of loyal, committed, professional and capable staff.

We believe that learning and training is an important, continuous and life-long process so that employees are equipped with the competencies needed to meet current and future business needs. This includes workshops, seminars, conferences, in-house company training and on-the-job training. During the year, Harrisons has conducted in-house trainings, sales field coaching and management trainee programs to upgrade their skills and knowledge.

Harrisons places emphasis on its staff development programmes. As with its Board of Directors, staff are also encouraged to undertake continuing professional education to equip themselves with the latest technical and statutory updates to stay relevant and be prepared for their jobs.

We offer education assistance programmes to support our employee's development and career growth. Over the years, Harrisons has been sponsoring employees to pursue qualifications relevant to their field of work. This includes reimbursement of fees for professional courses such as MBA and marketing courses. Harrisons is also an Association of Chartered Certified Accountants (ACCA) Approved Employer.

Occupational Health and Safety

Harrisons places strong emphasis on a workplace that is free from theft, violence, harassment, intimidation and other unsafe and disruptive influences due to internal and external conditions as the staffs are the backbone to the Group.

The key health and safety activities held by the Group includes fire drills, evacuation exercises and training in proper use of equipment and proper work instructions to prevent workplace hazards from happening.

We are proud to report that there have been no work place incidents for 2022 and we endeavor to maintain this track record for the next financial year and beyond.

Occupational Health and Safety	FY2021	FY2022
Workplace incidents and work-related injury	Nil	Nil

Further details of our Occupational Health and Safety are detailed in **Table 2** below.

Local Community

We care about giving back to the community. To this end, we encourage and support the local community and improve the quality of life of underprivileged communities through financial contributions and humanitarian efforts.

During this financial year, we have donated monies, food, detergent and consumer products to the frontliners of the hospital healthcare staff such as doctors, nurses and health care workers, firemen, police and to the poor. Our corporate social responsibility activities for 2022 include:

Sabah
1) Donated food and cash to support the operation needs of Rumah Bakti Hope, Kota Kinabalu;
2) Visited and donated food to the Ren Ai Counselling Association which takes care of the mental health condition of the community in Sandakan;
3) 116 of our staff donated blood to the Tawau General Hospital

Sarawak
1) Visited and donated food and hand sanitizer to the Persatuan Ibubapa Kanak-Kanak Istimewa (PIBAKIS) to help children above 7 years old in child development, vocational training and providing physiotherapy and occupational therapy;
2) Donated food and charity work by our staff to the Salvation Army, Sarawak
3) Donated products worth RM2,400 as a Christmas gift for Methodist Children Home, Sibu

Common Sustainability Matter	Common Indicators	Measurement	FY2021	FY2022
Community / Society	(i) Total amount invested in the community where the target beneficiaries are external to the listed issuer (excluding donation of our own products)	RM	10,000	10,000
	(ii) Total number of beneficiaries of the investment in communities	-	8	8

Whistleblowing Policy

We practice an open and honest policy enabling our employees to report on any suspected misconduct, corporate misbehavior and fraudulent activities. Harrisons has established a Whistleblowing Policy and Code of Conduct and Ethics for Directors and Employees that outlines the Group's commitment to ensure that employees and other stakeholders are able to raise concerns regarding any illegal conduct or malpractice at the earliest opportunity without being subject to victimization, harassment or discriminatory treatment, and to have such concerns properly investigated.

This policy sets out the mechanism and framework by which employees, contractors, consultants and any other individuals or organization who have dealings with the Company can confidently voice concerns/complaints in a responsible manner without fear of discriminatory treatment.

Moving Forward

Our inaugural Sustainability Report has provided us with a structured process to guide our improvement efforts going forward, with selected data points to measure ourselves by. We recognise that we still have room for enhancement, both in terms of initiatives undertaken and our reporting structure. We have engaged a consultant to assist us to strengthen our processes in sustainability management.

At Harrisons, we will continue to keep abreast of developments in our industry, actively and regularly engage our stakeholders, and seek to further embed sustainable practices within our businesses to improve our overall sustainability performance.

Common Sustainability Matters ("CSM")

In September 2022, Bursa Malaysia announced a phased approach in implementing the enhanced sustainability reporting requirements for public-listed companies commencing in financial year end 2023. One of the key requirements under the amendment of Practice Note 9 are on the reporting of Common Sustainability Matters. With the imminent implementation of the enhanced sustainability disclosures, we believe early adoption of some of these indicators and the communication of our results will put us in good stead, enabling us to be more resilient and competitive moving forward.

The early adoption of the above CSM would help our Group in the future alignment of our materiality assessment, the selection of appropriate sustainability indicators, compilation of relevant data including the setting of meaningful and measurable targets and enhancing the credibility of our sustainability information.

The indicators of the CSM are detailed in **Table 2** below. As we progress in our reporting journey, we will include further information on CSM once additional data are available.

Table 2

Common Sustainability Matters	Common Indicators	Measurement	FY2021	FY2022
Energy management	(i) Total energy consumption (all branches and warehouses)	kWh	2,896,755	2,885,374
Health and safety	(i) Number of work-related fatalities	-	0	0
	(ii) Lost time incident rate	No. of days / Quarter	77	39
	(iii) Number of employees trained on health and safety standards			
	- Trained	-	195	210
	- Untrained	-	303	293
	Total		498	503
Labour practices and standards	(i) Total hours of training by employee category			
	Directors	hours	116.5	99
	Executives		2,133	4,221.5
	Non Executives		9,836.5	6,115.5
	Total		12,086	10,436
	(ii) Number of employees that are contractors or temporary staff	-	499	344
	(iii) Total number of employee turnover by employee category			
	Directors	-	0	0
	Executives	-	22	23
	Non Executives	-	270	249
	Total		292	272
Supply chain management	(i) Proportion of spending on local suppliers-Purchase made by Company:			
	- Within Malaysia/Singapore	RM	1,722,395,147	2,050,365,300
	- Outside Malaysia/Singapore		29,295,211	26,603,490
	Total		1,751,690,358	2,076,968,490
Data privacy and security	(i) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	-	0	0
Water	(i) Total volume of water used for all branches and warehouses	m3	29,057	29,171
Waste management	(i) Waste recycled for all branches and warehouses	tonnes	31.95	24.30
Emissions management	(i) Scope 1 emission in tonnes of CO2e	-	*	*
	(ii) Scope 2 emission in tonnes of CO2e	-	*	*
	(iii) Scope 3 emission in tonnes of CO2e (Business travel and employee commuting)	-	*	*
	Average km travel by per salesman per month	av km/month per salesman	5,819	5,819

* Further information will be provided once additional data are available

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Group and to ensure to reach the highest standards of accountability and transparency. The Board will continue promoting existing corporate governance principles and incorporate the practices and corresponding guidance as set out in the Malaysian Code on Corporate Governance 2021 ("MCCG 2021") into the existing Corporate Governance framework with reference to the Corporate Governance Guide ("the Guide") issued by Bursa Securities.

The Board is pleased to provide an overview of the Group's corporate governance practices, which summarises the Group's application of the following Principles under the MCCG 2021 during the financial year ended 31 December 2022:

A. Board Leadership and Effectiveness
B. Effective Audit and Risk Management
C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This Statement is also prepared in compliance with the MMLR and it is to be read together with the Corporate Governance Report 2022 of the Company which is available on Bursa Securities' website at www.bursamalaysia.com/market.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Part I – Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, enhancing corporate value of the Group, performance monitoring and measurement, risk management and internal controls, standards of conduct, shareholders' communication and critical business decisions.

In carrying out its duties, the Board has amongst others, a formal schedule of matters specifically reserved for its decision, including overall strategic direction, major capital commitments and capital expenditure, material acquisitions and disposals, authority limits/levels, significant material litigation, risk management practices, and monitoring of the Group's operating and financial performance.

The roles and responsibilities of the Board are set out in the Board Charter which is available on Harrisons' corporate website at www.harrisons.com.my.

The Board delegates and confers some of its authorities and discretion on the Chairman, Chief Executive Officer ("CEO") and the Management as well as on properly constituted Board Committees comprising exclusively Non-Executive Directors.

The Board Committees, comprising the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management & Sustainability Committee are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. The Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

In general, the Non-Executive Directors are independent of the Management. Their roles are to constructively challenge the Management and monitor the success of the Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with the Management at all levels, and they engage with the External Auditors and Internal Auditors to address matters concerning the Management and oversight of the Group's business and operations.

The Board is constantly mindful of the need to safeguard the interest of the Group's stakeholders and acknowledges the importance of ensuring that the Company's strategies promote sustainability. The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations. The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. The sustainability activities demonstrating the Company's commitment to the global environmental, social, governance and sustainability agenda, can be found in the Sustainability Report on page 13 of this Annual Report.

Looking ahead to 2023, the priorities of the Board will be in the following areas:

(1) Improving and implementing sustainability practices, policies and procedures to embrace the enhanced sustainability requirements and to be geared for the enhanced sustainability disclosures under the Enhanced Sustainability Reporting Framework issued by Bursa Securities and the amendments to the MMLR arising therefrom, which will be implemented in phases;
(2) Continue working towards achieving high standards of corporate governance and leverage technology to broaden its channel of dissemination of information and enhance the quality of engagement with the shareholders; and
(3) To appoint additional independent director(s) as Board's succession plan in compliance with the limitation of tenure of Independent Directors of the MMLR.

1.2 Chairman and CEO

The Board is headed by Mr Pandjijono Adijanto @ Tan Hong Phang, a Non-Independent Non-Executive Chairman, who has broad exposure and extensive experience in the international trade and investment arena.

As a Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the CEO.

The role of CEO is presently assumed by Mr Chang Kon Sang who is responsible for the day-to-day management of the Group, organisational effectiveness and implementation of Board policies, strategies and decisions. The CEO together with the Management manages the business of the Group in accordance with the Board's strategic plans, instructions and directions. The role of the Management team is to support the CEO and implement the running of the general operations and business of the Group, in accordance with the delegated authority of the Board.

1.3 Separation of the Positions of the Chairman and CEO

The positions of the Chairman and CEO are held by two (2) different individuals. Mr Pandjijono Adijanto @ Tan Hong Phang, a Non-Independent Non-Executive Director, is the Chairman while Mr Chang Kon Sang is the CEO.

The Board recognises the importance of having a clear separation of responsibilities of the Chairman and the CEO to promote accountability, ensure appropriate balance of roles and facilitates division of responsibilities between them to ensure no one individual can influence the Board's discussions and decision making. The distinct and separate roles of the Chairman and the CEO ensures appropriate balance of roles, responsibilities and accountability at Board level.

The distinct roles of the Chairman and the CEO are mentioned in the Board Charter of the Company, which is available at the Company's website.

1.4 Qualified and Competent Secretaries

In performing their duties, all Directors have access to the services of the Company Secretaries. The Company Secretaries act as the corporate governance counsel and ensure good information flow within the Board, Board Committees and the Management. The Company Secretaries attended all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016 ("the Act"), MMLR, MCCG 2021 and other relevant rules and regulations.

1.5 Access to Information and Advice

All Directors have unrestricted access to the Group's business and affairs including inter alia, financial results, annual budgets, business reviews against business plans and progress reports, operation reports on the Group's development and business strategies to ensure effective functioning of the Board.

In addition, the Audit Committee regularly communicates with the CEO and Senior Management when carrying out their duties and responsibilities and requests for additional information and clarification as and when necessary.

In order to discharge their duties, the Directors are provided with full and timely access to written reports and supporting information prior to Board meetings and are free to seek any further information they consider necessary. The Board's reports and papers include information on major financial, operational and corporate matters as well as activities and performance of the Group.

In furtherance of their duties, whenever independent professional advice is required by the Directors, external experts may be engaged at the Company's expense to provide additional insights and professional views, advice and explanations. Besides, all Directors also have direct access to the advice and services of the Company Secretaries who are capable of carrying out their duties.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter serves as a reference and primary induction literature, providing all Board members and the Management insights into the fiduciary and leadership functions of the Board. It also clearly sets out the respective roles and responsibilities of the Board, Board Committees, individual directors and the Management.

The Board Charter is subject to periodic review and will be updated as and when necessary to ensure it remains consistent with the Group's policies and procedures, the Board's overall responsibilities as well as changes to legislation and regulations. The Board Charter was reviewed and approved on 10 April 2023.

The Board Charter is available on the Company's website at www.harrisons.com.my

3. Promoting Good Business Conduct and Corporate Structure

3.1 Code of Ethics and Conduct

The Group is committed to achieving and monitoring high standards pertaining to behavior at work.

The Board is strictly adhered to the Company Code of Conduct and Ethics for Directors and employees in discharging its oversight role effectively. The Code of Conduct and Ethics requires all Directors to observe high ethical business standards, apply these values to all aspects of the Group's business and professional practice, and act in good faith in the best interests of the Group and its shareholders. The Code of Conduct and Ethics for the Company Directors is incorporated in the Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

3.2 Whistleblowing Policy

The Company has adopted a whistleblowing policy for the Group as a measure to promote the highest standard of corporate governance. The whistleblowing policy serves as a platform whereby all employees are encouraged to report genuine concerns about unethical behaviour or malpractices. Any such concerns should be raised with the Independent Non-Executive Director of the Company, Mr Wong Yoke Kong.

The whistleblowing policy is available at the Company's website at www.harrisons.com.my.

3.3 Anti-Bribery and Corruption ("ABC") Policy

The Board has adopted the ABC Policy to incorporate the policies and procedures on anticorruption as guided by the "Guidelines on Adequate Procedures" issued by the Prime Minister's Department to promote better governance culture and ethical behaviour within the Group and to prevent the occurrence of corrupt practices in accordance with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2018 on corporate liability for corruption which came into force on 1 June 2020.

The Group strictly prohibits all forms of bribery and corruption and will take all necessary steps to ensure that it complies with and conducts its business with transparency.

The ABC Policy is available on the Company's website at www.harrisons.com.my.

3.4 Sustainability Leadership

The Board takes cognisance of the importance of improving the values affecting stakeholders, employees, society, and the environment towards sustainability of the Group's business. The Board with consultation from management, oversees and evaluates the economic, environmental, social and governance issues and any other external matters that may affect the development of the Group's business or the interest of the shareholders, ensuring that the Company's strategies promote sustainability. The sustainability practices of the Group are disclosed in the Sustainability Statement, which is reviewed and approved by the Board.

The Risk Management Committee ("RMC") was re-designed to Risk Management & Sustainability Committee ("RMSC") and the Board is in the opinion that RMSC will be more effective to ensure the Board's role in considering sustainability matters when exercising its duties of developing and implementing company strategies, business plans, major plan of actions and risk management and that adequate resources, systems and process are in place for managing sustainability matters.

The CEO leads the Group's sustainability practices across management and operational fronts, with respective division heads driving the division's sustainability practices.

The Group is fully committed to discharge its duty in curbing environmental concerns, ensuring safety and health of employees and consumers are safeguarded.

During the financial year under review, the Board reviewed and revised the Board performance evaluation form to incorporate Environmental, Social and Governance matters in line with the MCCG 2021 and the MMLR amendments on sustainability in February 2023.

Part II – Board Composition

4. Strengthen Board's Objectivity

4.1 Board Composition

As at the date of this statement, the Board has six (6) members, comprising one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non- Executive Directors.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR and Practice 5.2 of MCCG 2021, as at least half of its members are Independent Directors.

The Board deems that its composition is appropriate in terms of its membership and size as there is a good mix of skills and experience in the Board membership and no imbalance in power and authority. The Directors, with their differing backgrounds and specialisations, collectively bring with them a wide range of business, commercial and financial and legal knowledge, expertise and skills essential in the management and direction of the Group with regional presence.

During financial year under review, the Board adopted a Fit & Proper Policy to ensure that the Board's composition, quality and integrity is maintained and up to expectations in line with Paragraph 15.01A of MMLR. The Fit & Proper Policy can be viewed at the Company's website.

The profile of the Directors is set out in this Annual Report.

4.2 Independent Non-Executive Director

The presence of Independent Non-Executive Directors provides a pivotal role in corporate accountability. The role of the Independent Non-Executive Directors is particularly important as they provide independent and objective views, advice and judgment and ensure strategies proposed by the CEO and Management are thoroughly discussed and evaluated, and that the long-term interests of the Group and stakeholders are considered. The Independent Non-Executive Directors do not participate in the operation of the Group in order to uphold their objectivity and fulfil their responsibility to provide check and balance to the Board. Three (3) out of the five (5) Non-Executive Directors are Independent Directors and are able to express their views without any constraint. This strengthens the Board, whereby independent views are expressed and taken into consideration before any decisions are made.

On 26 August 2022, the Board has identified, Mr Felix Leong, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

4.3 Tenure of Independent Director

The Board takes note that the MCCG 2021 recommends that the tenure of an Independent Non-Executive Director shall not exceed accumulative term of nine (9) years unless shareholders' approval is obtained to retain such Director as an Independent Non-Executive Director through a two-tier voting.

The Board on the review and recommendation made by the Nomination Committee is unanimous in its opinion that all the Independent Directors have fulfilled the criteria under the definition of an Independent Director as set out under Paragraph 1.01 of the MMLR of Bursa Securities.

The Board believed that the independence of Independent Non-Executive Directors remained unimpaired and their judgment over business dealings of the Company was not influenced by the interest of the other Directors or Substantial Shareholders.

On 19 January 2022, Bursa Securities announced an amendment to the MMLR to limit the term of Independent Directors to twelve (12) years. All long-serving Independent Directors affected by this amendment must resign or be re-designated as Non-Independent Directors on or before 1 June 2023.

The two (2) Independent Non-Executive Directors namely, Mr Wong Yoke Kong and Mr Chong Chee Fire have each attained a cumulative term of more than twelve (12) years. In connection herewith, there were changes to the Board composition in accordance with the MMLR of Bursa Securities, i.e.: (i) Wong Yoke Kong shall be re-designated as Non-Independent Non-Executive Director on or before 31 May 2023; and (ii) Mr Chong Chee Fire had resigned on 11 April 2023. He was succeeded by Datuk Lim Tong Lee on 11 April 2023.

The Board wishes to record its appreciation and gratitude to Mr Chong Chee Fire for his contribution and service during his tenure as member of the Board.

4.4 Policy of Independent Director's Tenure

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Non-Executive Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Otherwise, the Board will justify its decision and seek shareholders' approval through a two-tier voting process at the AGM, in the event the Director is to be retained as an Independent Non-Executive Director.

4.5 Diverse Board and Senior Management Team

The Company has adopted a Board Diversity Policy and strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which includes the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

The Group shall endeavour to meet the diversity at the senior management level and the composition of the Key Senior Management of the Group comprises a mixture of both genders.

4.6 Gender Diversity

The Board acknowledges the importance of boardroom diversity and the practice of the MCCG 2021 pertaining to the establishment of a gender diversity policy.

The Board had established the Boardroom Diversity Policy as set out in Appendix 6 of the Board Charter of the Company, which is available on the Company's website.

The Company has one (1) female director for the time being and will endeavour to achieve 30% female director. Nonetheless, the Company will endeavour to achieve a higher target through progressive refreshing of the Board as it implements the nine-year policy for Independent Non-Executive Director.

4.7 Identification of New Candidates for Appointment of Directors

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership proposed by the Management or any Director or Shareholder, taking into consideration the candidates' skills, knowledge, expertise, experience, age, time commitment, character, cultural background and gender based on the Fit & Proper Policy of the Company.

The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determines skills matrix to support strategic direction and needs of the Company.

In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing directors, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates. If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nomination Committee would assess and provide an explanation on why these source(s) are sufficient and other sources were not considered.

The Nomination Committee had reviewed the qualification, skills, experience and fit and proper criteria of the proposed candidate, Mr Felix Leong, nominated by an existing director, and recommended his appointment to the Board. The Board endorsed its recommendation for the said appointment. Mr Felix Leong was appointed as an Independent Executive Director of the Company on 22 June 2022 in replace of the retirement of Mr Foo Chow Luh.

On 11 April 2023, Datuk Lim Tong Lee was appointed to the Board as an Independent Non-Executive Director. He was nominated by an existing director of the Company. The Nomination Committee had assessed and reviewed the suitability of Datuk Lim Tong Lee based on his skill, knowledge, expertise, and experience according to the Fit & Proper Policy of the Company.

4.8 Nomination Committee

The Nomination Committee is established to identify, assess and recommend new nominees to the Board and evaluate annually the performance of all Board members. It assists the Board in reviewing the required mix of expertise, skills, experience, qualifications and assesses the effectiveness of the Board as a whole, tenure and the contribution of each individual Director. There were one (1) meeting held in the financial year under review.

The Board, through the Nomination Committee, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

The Nomination Committee has reviewed the independence and performance of the Independent Directors and is satisfied that they have been able to discharge their responsibilities in an independent manner.

Based on the above assessment in 2022, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgment to Board deliberations.

The terms of reference of the Nomination Committee outlining the composition, proceeding of meetings, authority and duties and responsibilities was reviewed on 11 April 2022 and is available on the Company's website.

The Nomination Committee comprises wholly Non-Executive Directors of which majority are Independent Directors and the members are as follows:-

No.	Name of Directors	Designation
1.	Mr Felix Leong (Chairman)	Senior Independent Non-Executive Director
2.	Mr Pandjijono Adijanto @ Tan Hong Phang (Member)	Non-Independent Non-Executive Director
3.	Datuk Lim Tong Lee (Member)	Independent Non-Executive Director

Notes :
(1) Mr Foo Chow Luh retired as the Chairman of Nomination Committee on 22 June 2022.
(2) Mr Felix Leong appointed as the Chairman of Nomination Committee on 22 June 2022.
(3) Mr Chong Chee Fire resigned as a member of Nomination Committee on 11 April 2023.
(4) Datuk Lim Tong Lee appointed as a member of Nomination Committee on 11 April 2023.

The Nomination Committee has assessed and is satisfied with the current size of the Board, and with the mix of qualifications, skills and experience among the Board members.

For the financial year ended 31 December 2022, the Nomination Committee had conducted one (1) meeting and has discharged its duties as below:-

- Assessed the contribution of each individual Director;
- Reviewed the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- Reviewed and assessed the independence of Independent Non-Executive Directors;
- Considered the continuation of office of the Independent Non-Executive Directors who have served for a cumulative term of more than nine (9) years at the AGM of the Company.
- Reviewed and recommended to the Board, re-election and re-appointment of Directors who will be retiring at the forthcoming AGM of the Company;
- Reviewed the performance of the Chief Financial Officer;
- Evaluated training needs of Directors and noted the training programmes attended by Directors;
- Reviewed the terms of office of the Audit Committee and each member of the Audit Committee;
- Reviewed the Terms of Reference of Nomination Committee;
- Recommend to the Board the nomination of a person or persons to be a Board member(s) by shareholder(s) or Director(s); and
- Recommend to the Board, Directors to fill the seats on Board Committees.

5. Overall Board Effectiveness

5.1 Annual Evaluation

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board operations, stakeholder relationship, and roles and responsibilities of the Board and the Board Committees and the Chairman's role and responsibilities. For Individual Director Assessment, the assessment criteria include areas of contribution and interaction with peers, quality of inputs, and understanding of role and independence of Independent Directors.

The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM.

Based on the annual assessment conducted for financial year 2022, the Nomination Committee was satisfied with the existing Board composition and was of the view that all Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and has performed competently and effectively.

5.2 Re-election of Retiring Directors

In accordance with the Company's Constitution, one third (1/3) of the Directors are subject to retirement by rotation annually and all Directors shall retire from office once at least every three years.

The Directors to retire each year are the Directors who have been longest in office since their last appointment on re-election. The Directors appointed during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election.

The Board makes recommendations concerning the re-election, re-appointment and the continuation in office of any Director for shareholders' approval at the next AGM.

The Nomination Committee has considered the assessment of Mr. Chang Kon Sang and Mr Felix Leong, the Directors standing for re-election and collectively agreed that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their roles as Directors.

Datuk Lim Tong Lee who was appointed to the Board on 11 April 2023 will retire pursuant to Clause 104 of the Constitution and being eligible has offered himself for re-election. The Board is recommending shareholders to re-elect Datuk Lim Tong Lee as a Director at the forthcoming AGM.

5.3 Board Commitment

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attendance at meetings of the Board and Board Committees and other types of meeting. The Board and Board Committee meetings for each financial year are scheduled in advance for Directors to plan their schedule ahead.

The attendance record of the Directors at Board and Board Committee meetings during the financial year under review is set out as follows:-

Meeting Attendance	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Mr Pandjijono Adijanto @ Tan Hong Phang	5/5	-	1/1	1/1	-
Mr Chang Kon Sang	5/5	-	-	-	-
Ms Mariana Adijanto @ Tan Phwe Leng	5/5	-	-	-	-
Mr Wong Yoke Kong	5/5	5/5	-	-	5/5
Mr Foo Chow Luh *(Retired on 22 June 2022)*	3/3	3/3	1/1	1/1	3/3
Mr Chong Chee Fire *(Resigned on 11 April 2023)*	5/5	5/5	1/1	1/1	5/5
Mr Felix Leong *(Appointed on 22 June 2022)*	2/2	2/2	-	-	2/2

Note : Datuk Lim Tong Lee appointed as Independent Non-Executive Director on 11 April 2023.

5.4 Overall Board Effectiveness

All the Directors have complied with the minimum attendance requirements as stipulated in the MMLR of Bursa Securities during the financial year.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships at more than five (5) public listed companies and shall notify the Chairman before accepting any new directorship.

5.5 Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Board will assume the onus of determining and overseeing the training needs of the Directors. During the financial year under review, the Directors have attended the following training, seminars, conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate governance development:

No.	Name of Director	Course Attended	Conducted by
1.	Mr Pandjijono Adijanto @ Tan Hong Phang	• House Experts Seminar • Asia emerging Market Space • Sustainability Reporting Financial Year Refresher and Update	• Deutsche Bank AG • Morgan Stanley Bank Asia Limited • Success Advisory Consulting
2.	Ms Mariana Adijanto @ Tan Phwe Leng	• Sustainability Reporting Financial Year Refresher and Update • Maybank Mid-@Year Market Outlook 2022	• Success Advisory Consulting • LGT Investment
3.	Mr Chong Chee Fire *(Resigned on 11 April 2023)*	• AMLA 2001, MACC Act 2009 & Cyber Security:Evolving Challenges & Expectation In Regulatory Compliance • Corporate Governance and Sustainability • Sustainability Reporting Financial Year Refresher and Update	• PHEIM • SSM • Success Advisory Consulting
4.	Mr Wong Yoke Kong	• Sustainability Reporting Financial Year Refresher and Update	• Success Advisory Consulting
5.	Mr Felix Leong	• Mandatory Accreditation Programme (MAP) • Bursa Malaysia Immersive Session : The Board "Agender" • Sustainability Reporting Financial Year Refresher and Update	• Bursa Malaysia • LeadWomen • Success Advisory Consulting
6.	Mr Chang Kon Sang	• Sustainability Reporting Financial Year Refresher and Update	• Success Advisory Consulting

Note : Datuk Lim Tong Lee appointed as Independent Non-Executive Director on 11 April 2023.

The Board recognises the importance of continuous training for Directors to enable them to discharge their duties effectively. The Directors undergo training programme and seminars from time to time and as when necessary, to constantly update themselves and keep abreast with industrial sector issues, the current and future developments of the Group's business and industry that may affect their roles and responsibilities.

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key senior management officers are sufficiently attractive to attract and retain persons of high calibre.

The Board has adopted policies and procedures to determine the remuneration of Directors and Senior Management in line with the business strategy and long-term objectives of the Group.

The remuneration policy which was incorporated into the Board Charter of the Company and the terms of reference of the Remuneration Committee are available on the Company's website.

The Remuneration Committee reviews annually the Directors' Fee (including Non-Executive Directors) for recommendation and approval by the Board. The Directors' remuneration payable to the Non-Executive Directors will be tabled at the AGM for approval by shareholders.

The Remuneration Committee comprises wholly Non-Executive Directors as below, of which majority are Independent Directors:-

No.	Name of Directors	Designation
1.	Mr Pandjijono Adijanto @ Tan Hong Phang (Chairman)	Non-Independent Non-Executive Director
2.	Mr Felix Leong (Member)	Senior Independent Non-Executive Director
3.	Datuk Lim Tong Lee (Member)	Independent Non-Executive Director

Notes :
(1) Mr Foo Chow Luh retired as a member of Remuneration Committee on 22 June 2022.
(2) Mr Felix Leong appointed as a member of Remuneration Committee on 22 June 2022.
(3) Mr Chong Chee Fire resigned as a member of Remuneration Committee on 11 April 2023.
(4) Datuk Lim Tong Lee appointed as a member of Remuneration Committee on 11 April 2023.

The Remuneration Committee reviews the remuneration policy each year with a view to ensuring it is fair and able to attract and retain talent who can add value to the Group. The Non-Executive Directors' fees are tabled at the Company's AGM for approval.

7. Remuneration of Directors and Senior Management

7.1 Detailed Disclosure of Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received and/or receivable from the Company and its subsidiaries in the financial year ended 31 December 2022 are as follows:

COMPANY

	RM'000		
	Fees/ Emoluments/ Salary	Allowances (inclusive of defined contribution plan)	Total
Non-Executive Directors			
• Pandjijono Adijanto @ Tan Hong Phang	150	3	153
• Mariana Adijanto @ Tan Phwe Leng	76	2	78
• Foo Chow Luh	41	1	42
• Wong Yoke Kong	86	3	89
• Chong Chee Fire	86	3	89
• Felix Leong	46	1	47
Total	**485**	**13**	**498**

Notes :
(1) Mr Foo Chow Luh retired as Independent Non-Executive Director on 22 June 2022.
(2) Mr Felix Leong appointed as Independent Non-Executive Director on 22 June 2022.
(3) Mr Chong Chee Fire resigned as Independent Non-Executive Director on 11 April 2023.
(4) Datuk Lim Tong Lee appointed as Independent Non-Executive Director on 11 April 2023.

GROUP

	RM'000					
	Salary (inclusive of defined contribution plan)	Fees	Bonus (inclusive of defined contribution plan)	Allowances	Benefits-In-Kind	Total
Executive Director						
• Chang Kon Sang	673	-	877	-	24	1,574
Non-Executive Directors						
• Pandjijono Adijanto @ Tang Hong Phang	-	150	-	3	-	153
• Mariana Adijanto @ Tan Phwe Leng	-	76	-	2	-	78
• Foo Chow Luh	-	41	-	1	-	42
• Wong Yoke Kong	-	86	-	3	-	89
• Chong Chee Fire	-	86	-	3	-	89
• Felix Leong	-	46	-	1	-	47
Total	**673**	**485**	**877**	**13**	**24**	**2,072**

Notes :
(1) Mr Foo Chow Luh retired as Independent Non-Executive Director on 22 June 2022.
(2) Mr Felix Leong appointed as Independent Non-Executive Director on 22 June 2022.
(3) Mr Chong Chee Fire resigned as Independent Non-Executive Director on 11 April 2023.
(4) Datuk Lim Tong Lee appointed as Independent Non-Executive Director on 11 April 2023.

7.2 Remuneration of Top Senior Management and Non-Executive Directors

The details of the aggregate remuneration of the top 5 Senior Management staff and 5 Non-Executive Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the financial year 2022 are categorized as follows :

Key Management Personnel	Group (RM'000)	Company (RM'000)
Fees and allowances	684	498
Salaries and bonuses [1]	4,797	-
Benefits-in-kind [2]	103	-
Total	5,584	498

Notes :
[1] Salaries and bonuses comprised basic salary, bonus, allowance, EPF and SOCSO.
[2] Benefits-in-kind comprised provision of company motor vehicles and petrol.

The number of Senior Management staff whose total remuneration falls within the following bands are as follows:

Remuneration Range (RM)	Number of Senior Management staff
Between 550,001 to 600,000	1
Between 850,001 to 900,000	1
Between 900,001 to 950,000	1
Between 1,100,001 to 1,150,000	1
Between 1,550,001 to 1,600,000	1

The Board acknowledges the need for transparency in the disclosure of its key Senior Management remuneration. However, the Board is of the opinion that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Group's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.

In addition, the Board is of the view that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the top five Senior Management personnel who are not Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Principle B: Effective Audit and Risk Management

Part I – Audit Committee

8. Audit Committee

The Board strives to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts, in accordance with the Malaysia Financial Reporting Standards ("MFRS") and MMLR of Bursa Securities.

The Audit Committee exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The Audit Committee also provides assurance to the Board, with support and clarifications from the External Auditors that all the statutory financial statements and reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position. The Audit Committee has also reviewed the provision of non-audit services by the External Auditors during the year and concluded that the provision of these services did not compromise the External Auditors' independence.

The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

In the assessment of the External Auditors, the Audit Committee considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit and independence of Messrs. PricewaterhouseCoopers PLT.

Based on the Audit Committee's assessment, the Board was satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for year 2022. In view thereof, the Audit Committee recommended the re-appointment of Messrs. PricewaterhouseCoopers PLT to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

The Board has private sessions and dialogues through the Audit Committee with the External Auditors, in the absence of the Executive Directors and Management. For the year under review, there were two (2) private sessions with the External Auditors held where there was an exchange of views in relation to the financial reporting of the Group and other issues that needed attention, if any.

The composition of membership and the terms of reference of the Audit Committee and other pertinent information about the Audit Committee and its activities are highlighted in the Audit Committee Report set out on pages 49 to 51 of the Annual Report.

Part II – Risk Management and Internal Control Framework

9. Risk Management and Internal Control Framework

The Board oversees reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls through the Risk Management & Sustainability Committee. The Risk Management & Sustainability Committee defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/significant risk faced by the Group.

The terms of reference of the Risk Management & Sustainability Committee is available for viewing at the corporate website at www.harrisons.com.my. The Risk Management & Sustainability Committee is governed by the terms of reference which outlines its scope, duties and responsibilities. The membership of the Risk Management & Sustainability Committee is stated in the Corporate Information of this Annual Report.

During the financial year ended 31 December 2022, five (5) Risk Management & Sustainability Committee meetings were held. The activities carried out by the Risk Management & Sustainability Committee were as follows:

1. Reviewed the identified key risks and the controls in place to mitigate the risks; and
2. Reviewed and discussed the Risk Assessment and Assurances Reports of the Company and its subsidiaries.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Statement on Risk Management and Internal Control.

10. Governance, Risk Management and Internal Control Framework

Relevant Internal Control Systems are implemented for the day-to-day operations of the Group. The Internal Audit Department has an independent reporting channel to the Audit Committee and is authorised to conduct independent audits of all the departments and offices within the Group and reports the findings to the Audit Committee at the end of each quarter.

The Audit Committee reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the Internal Control Systems in the organisation.

The Internal Control Systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Group's corporate objectives and safeguarding the Group's assets as well as investors' interests.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Part I – Communication with Stakeholders

11. Continuous Communication Between Company and Stakeholders

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and as such has various channels to maintain communication with them. The annual report, quarterly announcements on financial results, relevant announcements on the Group's business and activities, as well as the Company's website are the primary mode of communication to all its stakeholders.

The Company is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.

The Company's website, www.harrisons.com.my is established for the shareholders and stakeholders to access information regarding the Group. Information on the website includes amongst others the Group's corporate structure, main business activities and announcements to Bursa Securities.

Part II – Conduct of General Meetings

12. Shareholder Participation at General Meetings

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company. The Company values feedback from its shareholders and therefore, encourages shareholders to attend and participate in the general meeting to raise questions pertaining to issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the business of the Group at the AGM.

In order to encourage shareholders' participation at the AGM, the Company sends out the notice of AGM at least 28 days to allow sufficient time for shareholders to make arrangements to attend either in person, by corporate representative, proxy or attorney.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

All the Directors shall endeavour to present in person to engage directly with and be accountable to the shareholders for their stewardship of the Company at the AGM. During the AGM, the Board encourages shareholders' participation in deliberating resolutions being proposed or on the Group's operation in general. The Directors, CFO and External Auditors will be in attendance to respond to the shareholders' queries.

The 32nd AGM was held virtually on 22 June 2022 and afforded an opportunity to the shareholders to participate and vote at the AGM (including submitting questions directly to the Board both prior to and during the AGM). All the Directors, External Auditors and Senior Management attended the said AGM online and responded to questions raised by shareholders.

The Minutes of the 32nd AGM was made available on the Company's website.

At its fully virtual 32nd AGM, the Company had leveraged on technology to facilitate remote shareholders' participation and electronic voting for the conduct of poll on the resolutions.

Compliance Statement

Following the launch of the MCCG 2021 in April 2021, the Company has undertaken gap analysis to identify the new corporate governance practices under the MCCG 2021 against the existing practices in the Company.

During the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders. In light of the improvements in the corporate governance regulations, the Board has reviewed and updated (if necessary) its existing board charter, policies and procedures, etc.

Moving forward, the Board will continue to operationalise and improve the Company's corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

As at the date of this statement, the Board is satisfied with the current composition of the Board by comprising three (3) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Executive Director and believed that the existing composition enable efficient corporate/board decisions to be made amongst the Board members.

The current Non-Independent Non-Executive Chairman, Mr Pandjijono Adijanto @ Tan Hong Phang being the President of Bumi Raya Group, a major shareholder of the Company, is appropriate for the role with his abundant experience, strength and understanding of the businesses and industries to provide constructive advice and guidance to the Board and Management without compromising the balance of power and authority amongst the Board.

The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest. The Board has also demonstrated their independence and is free from any businesses or other relationships which may interfere with the exercise of their independent judgement.

This Corporate Governance Overview Statement was approved by the Board on 10 April 2023.

OTHER DISCLOSURES

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

   There were no proceeds raised from any corporate exercise during the financial year.

2. AUDIT AND NON-AUDIT FEES

   The auditors' remuneration including non-audit fees for the Company and the Group for the financial year ended 31 December 2022 are as follows:-

Details of Audit Fees	**Group (RM'000)**	**Company (RM'000)**
- Audit Fees	849	218
- Non-Audit Fee	172	90
Total	**1,021**	**308**

3. MATERIAL CONTRACTS INVOLVING DIRECTORS OR CHIEF EXECUTIVE WHO IS NOT A DIRECTOR AND MAJOR SHAREHOLDERS' INTEREST

   There were no material contracts entered into by the Company and its subsidiaries which involved the interest of Directors or Chief Executive who is not a Director or Major Shareholders subsisting at the end of the financial year ended 31 December 2022.

4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE ("RRPT")

   There was no Shareholders' Mandate obtained in respect of RRPT during the financial year. However, details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 29 of the Financial Statements.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible to prepare the Audited Financial Statements which will give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year ended 31 December 2022.

In preparing those Audited Financial Statements, the Directors of the Company have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy on the disclosure of the financial position of the Group and of the Company, and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016 and the Malaysian Financial Reporting Standards. The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and of the Company and hence, to prevent and detect fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the MMLR and Practices 10.1 and 10.2 of the Malaysian Code on Corporate Governance 2021 ("MCCG") requires the Board of a listed company to include in its annual report a "Statement on Risk Management and Internal Control" of the Company as a Group for the financial year ended 31 December 2021.

BOARD RESPONSIBILITY

The Board recognises the importance and is committed to maintain a sound system of internal control and effective risk management system within the Group and is responsible for reviewing its adequacy and effectiveness of the Group's Risk Management and Internal Control Systems.

The Group's systems of internal controls are designed to manage rather than to eliminate the risk of failure to achieve the business objectives. The Board continuously reviews the systems to ensure that the risk management and internal control systems provide a reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has via the Audit Committee obtained the necessary assurance on the adequacy and effectiveness of the Group's Risk Management and Internal Control Systems.

RISK MANAGEMENT PROCESS

The Group has an ongoing process for identifying, evaluating and managing key risks in the context of its business objectives. These processes are embedded within the Group's overall business operations and are guided by operational manuals, policies and procedures and are regularly reviewed by the Board whom are guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

The main operating subsidiaries have their own respective Risk Working Committee, which comprises the senior managers for the critical functions of the Group. The respective Risk Working Committee meets quarterly where possible to:

- review and update the risk register; and
- assess the risk status and employ mitigation action plans when needed.

The main operating subsidiaries' reports are submitted quarterly and reviewed by the CEO and Chief Financial Officer ("CFO") and the significant risk, any changes and mitigation plans are highlighted and discussed at the Risk Management & Sustainability Committee, Audit Committee and Board meetings.

The Enterprise Risk Management process comprises:

(1) Risk Identification

All potential events that could adversely impact the achievement of business objectives including failure to capitalise on opportunities identified.

(2) Risk Evaluation

The identified risks are then assessed and analysed to determine the impact on the relevant business strategies/objectives and whether the risks are likely to occur:

- Possibility of the risk occurring; and
- Impact of the consequences on the relevant business strategies/objectives, taking into consideration, the degree of internal control and risk management measures in place.

The Risk Register documents all identified risks, evaluation of the risk and action plans to mitigate and monitor the risk.

Likelihood	Low	Medium	High	Very High
Impact	Low	Medium	High	Very High

(3) Risk Mitigation

Risk Owners, who comprise, the Senior Managers and Heads of Departments of the respective main subsidiaries, are responsible for identifying the risks and developing action plans to mitigate these risks.

(4) Risk Monitoring

Ongoing monitoring of risk is conducted by each Risk Management & Sustainability Committee of the main subsidiaries quarterly to ascertain whether any conditions with a particular risk have changed and to ensure that actions and risk mitigation plans have been implemented. This is reported to the Risk Management & Sustainability Committee and Board quarterly.

(5) Risk Review

The risks are periodically reviewed to ensure that the policies and objectives remain relevant and effective under changing market and regulatory environment.

KEY RISKS

The Group views the following four (4) risks as being prevalent in the trading and distribution business that may significantly impact the Group's results:

- loss of distribution agencies;
- margin squeeze;
- market return and trade spend; and
- trade credit extended to customers

Steps to anticipate and mitigate these four (4) key risks are an integral part of the Group Risk Management.

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STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL MATTERS

During the financial year, some other weaknesses in internal control processes were identified. However, these weaknesses were not considered material, and had not materially impacted the business or the operations of the Group. Nevertheless, measures have been taken or are being taken by the Management to address these weaknesses.

INTERNAL CONTROL PROCESS

The main features of the Group's Internal Control Systems established are summarised as follows:

- Organisation Structure

The Group maintains a defined organisation structure with clear lines of reporting and segregation of duties to ensure the Group achieves its strategies and objectives.

- Authorisation Procedures

The Group maintains a defined authority chart with clear authority limits and approval procedures. Delegation of authority including authorisation limits at various levels of management and those requiring Board's approval are documented and designed to ensure accountability and responsibility.

- Human Resource Structure

The Group adopts decentralised human resource functions that set out the procedures for recruitment, training and appraisal of the employees within the Group.

- Standard Operating Procedures

Documented standard operating policies and procedures are reviewed and updated, where applicable.

- Periodic Management Meeting

Regular meetings held at operational and management levels to identify and resolve operational and business matters. Deviation in targeted goals and corrective actions implemented where necessary are reported by the Heads of Department in the meetings.

- Insurance and Physical Safeguard

Adequate insurance and physical security of major assets are in place to ensure that the assets of the Group are sufficiently covered against any mishap that will result in material losses to the Group.

- Budget and Performance Review

A detailed budgeting process including a capital expenditure budget is completed for the year ahead and approved by the Board annually. Budgetary control for significant operations of the Group, where actual performance is closely monitored against budget to identify and address significant variances and enable corrective actions to be taken to improve the achievement towards the budgeted results and eventually the Group's business objectives as a whole.

- Financial Reporting Timeline

Financial and operational reports are generated timely for Management's review and action.

INTERNAL AUDIT

The in-house Internal Audit function supports the Risk Management & Sustainability and Audit Committees and by extension, the Board, by providing reasonable independent appraisal of the adequacy and effectiveness of the internal control systems. The Internal Audit team concurrently plays a proactive role in facilitating operating companies in assessing their principal business risks and plans of actions to address these risks.

The Internal Auditor's role is to provide independent and objective reports on the Group Management's records, accounting policies and internal controls to Management, Risk Management & Sustainability Committee, Audit Committee and the Board. Upon completion of each audit, an internal audit report shall be generated and recommendations on weaknesses made are presented in the Risk Management & Sustainability Committee or Audit Committee Meeting to assist the Audit Committee in discharging its duties and responsibilities.

The Internal Audit Department undertakes Internal Audit functions based on the audit plan that is reviewed and approved by the Audit Committee. The audit plan covers review of adequacy of operational controls, risk management compliance with laws and regulations, quality of assets and management efficiency amongst others.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the Risk Management and Internal Control Systems of the Group.

BOARD ASSESSMENT

The Board is of the view that the Group's overall Risk Management and Internal Control Systems is operating adequately and effectively and has received the same assurances from the managing director of the main subsidiaries, the CEO and CFO. The assurance has been given based on the internal controls established and maintained by the Group, work performed and reports provided by the internal audit function, as well as reviews performed and confirmed by Senior Management.

The Board recognises the importance of maintaining a sound System of Risk Management and Internal Control and will continue to monitor all major risks affecting the Group and take the necessary measures to enhance adequacy and the effectiveness of the Risk Management and Internal Control System of the Group.

This Statement was reviewed by the Audit Committee and approved by the Board on 10 April 2023.

REPORT OF AUDIT COMMITTEE

The Board of Directors of Harrisons is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2022.

A. COMPOSITION OF THE AUDIT COMMITTEE

The composition of the Audit Committee complies with Paragraph 15.09 of the MMLR that all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.

As at the date of this Annual Report, the Audit Committee comprises the following Non-Executive Directors:-

No.	Name of Directors	Designation
1.	Mr Felix Leong (Chairman)	Senior Independent Non-Executive Director
2.	Mr Wong Yoke Kong (Member)	Independent Non-Executive Director
3.	Datuk Lim Tong Lee (Member)	Independent Non-Executive Director

Notes :
(1) Mr Foo Chow Luh retired as the Chairman of Audit Committee on 22 June 2022.
(2) Mr Felix Leong appointed as Independent Non-Executive Director on 22 June 2022.
(3) Mr Chong Chee Fire resigned as member of Audit Committee on 11 April 2023.
(4) Datuk Lim Tong Lee appointed as member of Audit Committee on 11 April 2023.

During the financial year, the Board, through the Nomination Committee has reviewed the term of office and assessed the performance of the Audit Committee. The Board is satisfied that the Audit Committee has discharged its duties in accordance with Terms of Reference.

B. MEETINGS

During the financial year, a total of five (5) meetings were held, and the details of attendance of the Audit Committee members are as follows:-

No.	Directors	No. of meetings attended
1.	Mr Foo Chow Luh	3/3
2.	Mr Wong Yoke Kong	5/5
3.	Mr Chong Chee Fire	5/5
4.	Mr Felix Leong	2/2

Notes :
(1) Mr Foo Chow Luh retired as the Chairman of Audit Committee on 22 June 2022.
(2) Mr Felix Leong appointed as the Chairman of Audit Committee on 22 June 2022.
(3) Mr Chong Chee Fire resigned as member of Audit Committee on 11 April 2023.
(4) Datuk Lim Tong Lee appointed as member of Audit Committee on 11 April 2023.

The External Auditors attended three (3) Audit Committee meetings in 2022 to present their reports and findings in relation to the Audited Financial Statements for financial year ended 31 December 2022.

The Audit Committee also deliberated and voted on the written resolutions circulated to the Audit Committee together with detailed explanation, if any. Ample time was given to all Audit Committee members in order for them to make informed and constructive decisions.

REPORT OF AUDIT COMMITTEE (CONT'D)

The Audit Committee has full access to and co-operation from the Management. The Audit Committee also has full discretion to invite any Director or Management to attend its meetings and has been given adequate resources to discharge its functions.

The requirement for a former partner of the external audit firm of the Company to observe a cooling-off period of at least three years before being appointed as a member of the AC is reflected into the Terms of Reference of Audit Committee. None of the AC members were former partners of the external audit firm of the Company within three years preceding the financial year 2022.

C. SUMMARY OF WORKS OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The works carried out by the Audit Committee in discharging its duties and functions with respect to their responsibilities during the financial year were summarised as follows:

Financial Reporting

The Audit Committee reviewed the quarterly and annual financial statements required by Bursa Securities with the Management prior to making recommendation for the Board's approval. The review focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with the MMLR and other legal requirements.

The Audit Committee keeps itself appraised of changes in accounting policies and guidelines through regular updates by the External Auditors.

External Audit

The Audit Committee has discussed with the External Auditors the audit plan and scope of work for the Group, and the report on the audit of the year-end financial statements; reviewed audit findings and reservations arising from the audits, significant accounting issues and any matter the External Auditors may wish to discuss; reviewed the External Auditors' management letter and Management's responses thereto; and reviewed the External Auditors' objectivity and independence.

Significant matters requiring follow-up were highlighted for the reports by the External Auditors to the Audit Committee. In accordance with International Standards on Auditing, key audit matters which in the opinion of the external auditors were of most significance in their audit of the Annual Financial Statements were brought to the attention of the Audit Committee and highlighted and addressed by the External Auditors in their report.

In assessing independence, the Audit Committee has reviewed the fees and expenses paid to the External Auditors during the year. The Audit Committee is of the opinion that the Auditors' independence has not been compromised based on the confirmation provided by the External Auditors.

During the financial year, two (2) private sessions were held between the Audit Committee and the External Auditors without the presence of any Executive Directors and the Management to discuss any issue arising from the audit. There were no areas of concern that warranted escalation to the Board.

Internal Audit

The Audit Committee has reviewed with the Internal Auditors the internal audit reports and monitored/ followed-up on the remedial action; reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately address on timely basis; and ensured the adequacy of the independence, competency and resource sufficiency of the Internal Audit function.

REPORT OF AUDIT COMMITTEE (CONT'D)

Related Party Transactions

The Audit Committee has reviewed the potential related party transaction and any conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of the Management integrity.

Annual Reporting

The Audit Committee has reviewed the Statement on Risk Management and Internal Control and Audit Committee Report in accordance with the MMLR and Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuer, for inclusion into the Annual Report.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Terms of Reference of the Audit Committee, which outlines the composition, proceeding of meeting, authority and duties and responsibilities, is available on the Company's website.

INTERNAL AUDIT FUNCTION

Internal Audit Function

The group has established an internal audit function which is independent of Management and the functions which it audits. The Head of Internal Audits reports directly and functionally to the Audit Committee. The Audit Committee reviewed and approved the Internal Audit Plan for financial year 2022 presented by Head of Internal Audit to authorise audit on risk areas identified.

The group Internal Audit Department had reviewed and conducted audits and assessed the adequacy and integrity of the systems of internal control in accordance to the audit plan as approved by the Audit Committee.

The results of audit and key control issues and recommendation were highlighted to the Audit Committee. The Audit Committee reviewed and deliberated on the internal audit reports and recommendations raised in respect of Group entities' branches and operations on a quarter basis. All internal auditors' reports are deliberated by the Audit Committee and reporting are made to the Board at the Board of Directors' meetings.

For the financial year ended 31 December 2022, internal audit department completed eight (8) assurance and advisory reviews.

A summary of the audit works conducted during year 2022 are as below:

1. Review material income and expenses adjusted for in last month of financial year
2. Review control activities over risk of omission and rejection of claims by principal
3. Review reimbursement status on outstanding claims against principals on three depots
4. Reviews Debtors exceeding allocated credit limit and subsequent credit risk assessment
5. Review accuracy in computing transport outward costs according to invoiced value and contracted rate
6. Credit control review on beer business on customers exceeding credit limit and credit terms
7. Review salesmen cash collections procedures in beer business in two branches
8. Analyse root cause and control over high market return in fast-moving consumer goods agency in three depots
9. Review ageing stocks shelf life less than 12 months and actions to reduce expired stocks written off
10. Review market return and stock written off and trade offer spent on certain agencies

The operation cost incurred for the internal audit function of the Group in respect of the financial year ended 31 December 2022 amounted to RM673,000.

DIRECTORS' REPORT (CONT'D)

The Directors are pleased to submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to date of the report are:

Pandjijono Adijanto @ Tan Hong Phang
Mariana Adijanto @ Tan Phwe Leng
Wong Yoke Kong
Chong Chee Fire (resigned on 11 April 2023)
Chang Kon Sang
Felix Leong (appointed on 22 June 2022)
Foo Chow Luh (retired on 22 June 2022)
Datuk Lim Tong Lee (appointed on 11 April 2023)

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products, consumer goods, engineering and the operation of retail, shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 19 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	67,981	39,494

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures for the financial year ended 31 December 2022.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' remuneration disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except that certain Directors may be deemed to have derived benefits by virtue of transactions conducted in the normal course of business between the companies in the Group and companies in which these Directors are deemed to have an interest (see Note 29 to the financial statements).

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIVIDEND

Dividend declared and paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 December 2021, final dividend of RM0.30 per ordinary share paid on 22 August 2022	20,543

The Directors recommend the payment of a final dividend of RM0.50 per share, amounting to net dividend payment of RM34.2 million in respect of the financial year ended 31 December 2022, subject to the approval of the members at the forthcoming Annual General meeting of the Company.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares in the Company			
	At 1.1.2022	Acquired	Disposed	At 31.12.2022
Pandjijono Adijanto @ Tan Hong Phang	89,000	-	-	89,000
Mariana Adijanto @ Tan Phwe Leng	9,000	-	-	9,000
Wong Yoke Kong	169,000	-	-	169,000
Foo Chow Luh	154,000	-	-	154,000
Chong Chee Fire	150,000	-	-	150,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors during the financial year is as follows:

	Group 2022 RM'000	Company 2022 RM'000
Fees and allowances	498	498
Salaries and other emoluments	1,348	-
Defined contribution plan	202	-
	2,048	498
Estimated monetary value of benefits-in-kind	24	-

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group. The total amount of any indemnity cover given by the Company to Directors against damages in the discharge of their duties is RM10 million collectively for all Directors. The amount of premium paid by the Company for all the Directors is RM72,090 in 2022.

DIRECTORS OF THE SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year and up to the date of this report and statement is as follows:

Ang Lian Wal
Bay Boon Hong
Chan Jun Hao, David
Chang Kon Sang
Danny Lo Tuong Ming
Lim Hong Chin
Chin Chee Heun @ Nelson
(appointed on 1 January 2022)
Chan Poh Kim (resigned on 21 February 2022)
Lim Yong Keong
Low Kong Choon
Lo Chow Nyian
Spencer Ho Kwang Beng
Tee Chee Chiang
Ho Gee Leng

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

   (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

   (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

   (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

   (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other ariperson; and

   (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

   (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

   (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of the subsidiaries and the subsidiaries' holding of shares in other related corporations are set out in Note 19 to the financial statements.

AUDITORS' REMUNERATION

	Group 2022 RM'000	Company 2022 RM'000
Auditors' remuneration:		
- statutory audit fees	849	218

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 14 April 2023. Signed on behalf of the Board of Directors:

FELIX LEONG
DIRECTOR

WONG YOKE KONG
DIRECTOR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Felix Leong and Wong Yoke Kong, two of the Directors of Harrisons Holdings (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 58 to 128 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance of the Group and of the Company for the financial year ended 31 December 2022 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 April 2023.

FELIX LEONG
DIRECTOR

WONG YOKE KONG
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Low Kong Choon (MIA No. 6635), being the Officer primarily responsible for the financial management of Harrisons Holdings (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 58 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOW KONG CHOON

Subscribed and solemnly declared by the abovenamed Low Kong Choon at Kuala Lumpur on 14 April 2023, before me.

R.S. VANMATHI
COMMISIONER FOR OATHS
W871

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	6	**2,174,115**	1,931,481	**42,896**	16,974
Cost of sales		**(1,919,964)**	(1,714,700)	**-**	-
Gross profit		**254,151**	216,781	**42,896**	16,974
Other operating income		**3,826**	7,306	**(558)**	140
Selling and distribution costs		**(19,505)**	(22,349)	**-**	-
Administrative expenses		**(142,981)**	(138,246)	**(2,411)**	(2,137)
Finance costs	7	**(5,614)**	(4,859)	**(3)**	(2)
Profit before taxation	8	**89,877**	58,633	**39,924**	14,975
Taxation	10	**(21,896)**	(14,157)	**(430)**	(211)
Profit for the financial year		**67,981**	44,476	**39,494**	14,764
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of financial assets at FVOCI		**338**	369	**327**	308
		338	369	**327**	308
Item that may be reclassified to profit or loss					
Currency translation differences		**1,231**	288	**-**	-
Total comprehensive income for the financial year		**69,550**	45,133	**39,821**	15,072
Profit attributable to:					
- Owners of the Company		**66,741**	41,738	**39,494**	14,764
- Non-controlling interests		**1,240**	2,738	**-**	-
		67,981	44,476	**39,494**	14,764
Total comprehensive income attributable to:					
- Owners of the Company		**67,968**	42,252	**39,821**	15,072
- Non-controlling interests		**1,582**	2,881	**-**	-
		69,550	45,133	**39,821**	15,072
Earnings per share (sen)					
- Basic and diluted	11	**97.47**	60.95	**57.68**	21.56

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	**53,237**	34,356	**298**	501
Right-of-use assets	14	**77,634**	69,165	**37**	75
Investment properties	15	**1,679**	1,708	**-**	-
Deferred tax assets	16	**10,796**	8,834	**93**	93
Financial assets at FVOCI	17	**3,073**	2,735	**2,752**	2,425
Subsidiaries	19	**-**	-	**84,744**	57,597
Intangible asset	20	**7,882**	7,882	**-**	-
		154,301	124,680	**87,924**	60,691
CURRENT ASSETS					
Financial assets at FVTPL	18	**23,546**	27,850	**21,371**	27,341
Inventories	21	**235,136**	153,334	**-**	-
Trade and other receivables	22	**321,759**	294,340	**58,193**	16,908
Tax recoverable		**861**	436	**-**	-
Deposits, cash and bank balances	23	**183,403**	140,790	**23,404**	18,367
		764,705	616,750	**102,968**	62,616
CURRENT LIABILITIES					
Trade and other payables	24	**249,568**	234,201	**803**	795
Tax payable		**5,141**	3,526	**322**	-
Borrowings	25	**172,145**	68,679	**53,000**	4,989
Lease liabilities	26	**13,207**	11,531	**35**	33
		440,061	317,937	**54,160**	5,817
NET CURRENT ASSETS		**324,644**	298,813	**48,808**	56,799
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	**2,403**	2,408	**-**	-
Lease liabilities	26	**56,615**	49,279	**8**	44
		59,018	51,687	**8**	44
		419,927	371,806	**136,724**	117,446

STATEMENT OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022	2021	**2022**	2021
		RM'000	RM'000	**RM'000**	RM'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	27	**68,523**	68,523	**68,523**	68,523
Treasury shares	27	**(18)**	(18)	**(18)**	(18)
Other reserves		**8,255**	7,028	**1,458**	1,131
Retained earnings		**338,268**	292,070	**66,761**	47,810
		415,028	367,603	**136,724**	117,446
Non-controlling interests		**4,899**	4,203	**-**	-
		419,927	371,806	**136,724**	117,446

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Attributable to equity holders of the Company								
Group	Note	Share capital RM'000	Treasury share RM'000	Currency translation difference RM'000	FVOCI reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
At 1 January 2022		**68,523**	**(18)**	**419**	**1,204**	**5,405**	**292,070**	**367,603**	**4,203**	**371,806**
Profit for the financial year		**-**	**-**	**-**	**-**	**-**	**66,741**	**66,741**	**1,240**	**67,981**
Other comprehensive income:										
- Fair value changes of financial assets at FVOCI		**-**	**-**	**-**	**338**	**-**	**-**	**338**	**-**	**338**
- Currency translation differences		**-**	**-**	**889**	**-**	**-**	**-**	**889**	**342**	**1,231**
Total comprehensive income for the financial year		**-**	**-**	**889**	**338**	**-**	**66,741**	**67,968**	**1,582**	**69,550**
Transaction with owners:										
- Dividends	12	**-**	**-**	**-**	**-**	**-**	**(20,543)**	**(20,543)**	**(886)**	**(21,429)**
At 31 December 2022		**68,523**	**(18)**	**1,308**	**1,542**	**5,405**	**338,268**	**415,028**	**4,899**	**419,927**

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Group	Note	Share capital RM'000	Treasury share RM'000	Currency translation difference RM'000	FVOCI reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
		Attributable to equity holders of the Company								
At 1 January 2021		68,523	(18)	64	835	-	264,027	333,431	11,686	345,117
Profit for the financial year		-	-	-	-	-	41,738	41,738	2,738	44,476
Other comprehensive income:										
- Fair value changes of financial assets at FVOCI		-	-	-	369	-	-	369	-	369
- Currency translation differences		-	-	145	-	-	-	145	143	288
Total comprehensive income for the financial year		-	-	145	369	-	41,738	42,252	2,881	45,133
Transaction with owners:										
- Effect of changes in shareholding of subsidiary		-	-	210	-	5,405	-	5,615	(8,792)	(3,177)
- Dividends	12	-	-	-	-	-	(13,695)	(13,695)	(1,572)	(15,267)
At 31 December 2021		68,523	(18)	419	1,204	5,405	292,070	367,603	4,203	371,806

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Note	Share capital RM'000	Treasury shares RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2022		**68,523**	**(18)**	**1,131**	**47,810**	**117,446**
Profit for the financial year		**-**	**-**	**-**	**39,494**	**39,494**
Other comprehensive income:						
- Fair value changes of financial assets at FVOCI		**-**	**-**	**327**	**-**	**327**
Total comprehensive income for the financial year		**-**	**-**	**327**	**39,494**	**39,821**
Transaction with owners:						
- Dividends	12	**-**	**-**	**-**	**(20,543)**	**(20,543)**
At 31 December 2022		**68,523**	**(18)**	**1,458**	**66,761**	**136,724**

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Note	Share capital RM'000	Treasury shares RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021		68,523	(18)	823	46,741	116,069
Profit for the financial year		-	-	-	14,764	14,764
Other comprehensive income:						
- Fair value changes of financial assets at FVOCI		-	-	308	-	308
Total comprehensive income for the financial year		-	-	308	14,764	15,072
Transaction with owners:						
- Dividends	12	-	-	-	(13,695)	(13,695)
At 31 December 2021		68,523	(18)	1,131	47,810	117,446

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		**67,981**	44,476	**39,494**	14,764
Adjustments for non-cash items:					
(Reversal of)/Allowance for loss allowance:					
- trade and other receivables		**(5,363)**	(3,753)	**-**	-
- amount due from an associate		**161**	(26)	**-**	-
Provision for obsolescence of inventories		**5,152**	1,912	**-**	-
Inventories written off		**2,698**	2,644	**-**	-
Property, plant and equipment:					
- depreciation		**5,140**	5,939	**188**	211
- gain on disposal		**(384)**	(94)	**(354)**	(49)
- written off		**-**	81	**-**	-
Depreciation of investment properties		**29**	34	**-**	-
Depreciation of right-of-use assets		**14,520**	15,009	**38**	35
Gain on disposal of financial assets at FVTPL		**(192)**	(112)	**(192)**	(53)
Fair value loss on financial assets at FVTPL		**1,454**	645	**1,495**	645
Unrealised foreign exchange gain		**12**	172	**-**	-
Dividend income		**(992)**	(1,074)	**(42,896)**	(16,974)
Interest income		**(1,820)**	(1,295)	**(332)**	(615)
Finance costs	7	**5,614**	4,859	**3**	2
Rent concession and property tax rebate		**(157)**	(1,303)	**-**	-
Lease derecognised		**235**	(161)	**-**	-
Lease modification		**37**	-	**-**	-
Tax expense		**21,896**	14,157	**430**	211
		116,021	82,110	**(2,126)**	(1,823)
Working capital changes:					
Inventories		**(89,652)**	7,269	**-**	-
Trade and other receivables		**(22,229)**	11,159	**-**	-
Trade and other payables		**15,367**	18,093	**8**	(36)
		19,507	118,631	**(2,118)**	(1,859)
Tax paid		**(22,673)**	(14,993)	**(108)**	(163)
Interest received		**1,820**	1,295	**332**	615
Net cash from operating activities		**(1,346)**	104,933	**(1,894)**	(1,407)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(24,033)**	(4,413)	**-**	-
Proceeds from disposal of property, plant and equipment		**396**	317	**369**	49
Dividends received		**992**	1,074	**992**	1,074
Proceeds from sale of financial assets at FVTPL		**25,913**	49,333	**22,536**	17,068
Purchase of financial assets at FVOCI		**-**	(35)	**-**	(35)
Purchase of financial assets at FVTPL		**(22,871)**	(37,215)	**(17,869)**	(15,994)
Dividends received from subsidiaries		**-**	-	**41,904**	15,900
Investment in subsidiaries		**-**	(3,531)	**(18,800)**	-
Advances to subsidiaries		**-**	-	**(49,632)**	(7,910)
Net cash from investing activities		**(19,603)**	5,530	**(20,500)**	10,152
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		**(5,614)**	(4,859)	**(3)**	(2)
Drawdown of bankers' acceptances		**610,192**	473,599	**-**	-
Repayment of bankers' acceptances		**(506,226)**	(530,234)	**-**	-
Drawdown of revolving credit		**21,000**	10,000	**-**	-
Repayment of revolving credit		**(21,500)**	(15,720)	**-**	-
Drawdown of borrowings		**-**	-	**53,000**	4,989
Repayment of borrowings		**-**	-	**(4,989)**	-
Dividends paid		**(21,429)**	(15,267)	**(20,543)**	(13,695)
Capital contribution by non-controlling interest		**-**	354	**-**	-
Lease payments – principal portion		**(14,092)**	(13,533)	**(34)**	(33)
Net cash from financing activities		**62,331**	(95,660)	**27,431**	(8,741)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**41,382**	14,803	**5,037**	4
TRANSLATION RESERVES		**1,231**	288	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**140,790**	125,699	**18,367**	18,363
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	**183,403**	140,790	**23,404**	18,367

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Note:

(i) The acquisition of right-of-use ("ROU") assets during the financial year of RM10,070,000 (2021: RM16,325,000) is a non-cash transaction.

(ii) The reconciliation of liabilities arising from financing activities is as follows:

Group	At 1.1.2022 RM'000	Cash inflow RM'000	Cash Outflow (including interest) RM'000	Interest accretion RM'000	Non-cash changes: New lease RM'000	Non-cash changes: Modification RM'000	Non-cash changes: Rent concession/ Lease derecognised RM'000	At 31.12.2022 RM'000
Bankers' acceptances	**66,179**	**610,192**	**(508,497)**	**2,271**	**-**		**-**	**170,145**
Revolving credit	**2,500**	**21,000**	**(21,609)**	**109**	**-**		**-**	**2,000**
Lease liabilities	**60,810**	**-**	**(17,204)**	**3,112**	**10,070**	**15,221**	**(2,187)**	**69,822**

Group	At 1.1.2021 RM'000	Cash inflow RM'000	Cash Outflow (including interest) RM'000	Non-cash changes: Interest accretion RM'000	Non-cash changes: New lease RM'000	Non-cash changes: Rent concession/ Lease derecognised RM'000	At 31.12.2021 RM'000
Bankers' acceptances	122,814	473,599	(532,226)	1,992	-	-	66,179
Revolving credit	8,220	10,000	(15,853)	133	-	-	2,500
Lease liabilities	63,366	-	(16,133)	2,600	16,325	(5,348)	60,810

Company	At 1.1.2022 RM'000	Cash inflow RM'000	Cash outflow (including interest) RM'000	Non-cash changes: Interest accretion RM'000	Non-cash changes: New lease RM'000	At 31.12.2022 RM'000
Lease liabilities	**77**	**-**	**(37)**	**3**	**-**	**43**
Borrowings	**4,989**	**53,000**	**(4,989)**	**-**	**-**	**53,000**

Company	At 1.1.2021 RM'000	Cash inflow RM'000	Cash outflow (including interest) RM'000	Non-cash changes: Interest accretion RM'000	Non-cash changes: New lease RM'000	At 31.12.2021 RM'000
Lease liabilities	10	-	(35)	2	100	77
Borrowings	-	4,989	-	-	-	4,989

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Group consist of marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products, consumer goods, engineering and the operation of retail, shipping, insurance and travel agencies. Details of the principal activities of the subsidiaries are shown in Note 19 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is:

10th Floor Menara Hap Seng
No. 1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur

The principal place of business of the Company is:

Unit 9A, 9th Floor
Wisma Bumi Raya
10, Jalan Raja Laut
50350, Kuala Lumpur

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The Group's and the Company's financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretation that are effective

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2022:

- Amendment to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 116 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

The adoption of amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) Amendments to standards that have been issued but not yet effective

The Group and the Company will apply the following new amendments to published standards as set out below.

Effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

Effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

The effects of the above amendments to the existing standards are currently being assessed by the Directors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements unless otherwise stated.

(a) Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and statements of financial position.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Gains or losses arising from the Group's dilution or disposal in the investments in associates are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments in subsidiaries and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and associates, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 3(q) on borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts and are included in other operating income and expenses in profit or loss.

Freehold land is not depreciated as it has an infinite life. Depreciation on assets under construction commences when the assets are ready for their intended use.

Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as summarised below:

Buildings	50 years
Motor vehicles	5 years
Furniture, fittings and equipment	3 years to 10 years

(d) Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives of 50 to 99 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties (continued)

Investment property is de-recognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and are included in profit or loss.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(f)(i) on impairment for non-financial assets.

(e) Intangible asset

Franchise right

Franchise right acquired in a business combination is recognised at fair value at acquisition date. Franchise right is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. The carrying amount of the franchise right is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(f) Impairment of assets

(i) Impairment for non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss, and any subsequent increase in recoverable amount is recognised in profit or loss.

(ii) Impairment for debts instruments

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (continued)

(ii) Impairment for debts instruments (continued)

The Group and the Company have the following financial instruments that are subject to the ECL model:

- Trade receivables from goods sold or services performed
- Other receivables
- Amounts due from subsidiaries
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 31(iv)(b) sets out the measurement details of ECL.

General 3-stage approach for other receivables, amounts due from subsidiaries and financial guarantee contracts

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 months ECL if the credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is not required. Note 31(iv)(b) sets out the measurement details of ECL.

(iii) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (continued)

(iii) Significant increase in credit risk (continued)

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iv) Definition of default and credit impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets the following criteria:

<u>Qualitative criteria:</u>

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- the debtor is insolvent.

The Group does not specifically define a financial instrument as default based on the quantitative criteria.

Financial instruments that are credit-impaired are assessed on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (continued)

(v) Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables arising from trading and distribution and shipping business have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Other receivables and amounts due from subsidiaries which are in default or credit-impaired are assessed individually.

(vi) Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables and amounts due from subsidiaries

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(g) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are two measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expense) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income.

(b) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different basis. Fair value changes is recognised in profit or loss and presented net within other operating income/(expense) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(i) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

(j) Leases – Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Restoration costs

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases – Accounting by lessee (continued)

ROU assets (continued)

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group presents ROU assets as a separate line in the statements of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statements of comprehensive income.

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, the lease liability is remeasured and adjusted against the ROU assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases – Accounting by lessee (continued)

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment, such as photocopy machine. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(k) Leases – Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

(ii) Sublease classification

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption in note 3(j), then it classifies the sublease as an operating lease.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade and other receivables (continued)

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 3(f)(ii) on impairment for debt instruments.

(n) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the statements of financial position, banks overdrafts are shown within borrowings in current liabilities.

(o) Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual agreement of the particular instrument.

(ii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(iii) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share capital (continued)

(iv) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period, if not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowings (continued)

Where the terms of a financial liability are renegotiated and the Group issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates unless the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Current and deferred income tax (continued)

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as "trade and other payables" in the statements of financial position.

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(v) Revenue from contracts with customers

(i) Sale of goods

The Group engages in the business of trading and distribution of consumer products, building materials and chemical products. The Group also engages in the business of supplying baked cookies and household products to customers on a wholesale and retail basis. Revenue from the sale of goods is recognised when the control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts and returns at the time of sale. No element of financing is deemed present as the sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Rendering of services

The Group provides shipping services. Revenue from the rendering of services is recognised when the Group has rendered the services to the customer. As the contract terms of the services provided have a generally short period of delivery (less than one year), revenue is recognised in the period the services are provided. The Group's obligation to render services to a customer for which the Group has received consideration in advance from customer is recognised as "trade and other payables" in the statements of financial position. The Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue from other sources

(i) Interest income

Interest income is recognised using the effective interest method.

Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statements of comprehensive income as part of other operating income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(ii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. Dividend income is received from financial assets measured at FVTPL and at FVOCI.

Dividend income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments. Dividend incomes from financial assets at FVOCI are recognised as other operating income in profit or loss.

Dividends that clearly represents a recovery of part of the cost of an investment is recognised in OCI if it relates to an investment in equity instruments measured at FVOCI.

(x) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss on a net basis within other operating income or expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign currencies (continued)

(ii) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as debts instruments classified as at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

Government grants receivable are recognised as income over the periods necessary to match with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are recognised as other operating income in profit or loss.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Managing Director that makes strategic decisions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

(a) Provision for inventories obsolescence

Inventories are carried at the lower of cost and net realisable value. This requires the estimation of the eventual selling price of the goods to the customers in the future. A high degree of judgement is applied when estimating the impact on the carrying value of inventories, taking into consideration of factors giving rise to slow moving items, damage stocks and obsolescence. The provision for inventories obsolescence computed by management is based on percentages applied on the inventories' ageing and expiring band and the category of inventories.

These rates require significant estimates to be made by management based on the prevailing market conditions at reporting date. The provision for inventories obsolescence as at the reporting date is as follows:

	Group	
	2022	2021
	RM'000	RM'000
Provision for inventories obsolescence	**20,281**	15,129

If the provisioning rates were to differ by 5% from management's estimates, the provision for inventories obsolescence would be RM2,908,016 (2021: RM215,740) higher or lower.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Loss allowance for trade receivables

The loss allowance for trade receivables is assessed based on the expected loss rates. Significant judgement and estimates are required in determining the loss rates to be applied to each ageing band of the trade receivables. Details of the key assumptions and inputs used are disclosed in Note 31(iv)(b).

	Group	
	2022	2021
	RM'000	RM'000
Accumulated impairment of trade receivables	**25,387**	30,750

If the provisioning rates were to differ by 5% from management's estimates, the loss allowance for trade receivables would be RM517,052 (2021: RM457,812) higher or lower.

(c) Leases

Liabilities and the corresponding ROU assets arising from leases are initially measured at the present value of the lease payments at the commencement date, discounted using the interest rates implicit in the leases, or if that rate cannot be readily determinable, the Group may use the incremental borrowing rate. In this instance, the Group has determined the incremental borrowing rate as the discount rate with reference to the rate of interest that the Group would have to pay to borrow, over similar terms as that of the lease, the funds necessary to obtain an asset of a similar value to the ROU assets. These rates require significant estimates to be made by management.

Lease payments to be made during the lease term will be included in the measurement of a lease liability. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of the leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. In this regard, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The assessment of whether the Group is reasonably certain to exercise the options impacts the lease terms, which significantly affects the amount of lease liabilities and ROU assets recognised.

Extension options are included in all leases of office buildings and warehouses across the Group. The Directors are responsible for managing the leases and accordingly, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension options are included when the Directors are reasonably certain to exercise an optional extended lease term and therefore, payments associated with the optional period are included within these lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. SEGMENT REPORTING

The Group operates primarily within Malaysia for its trade and distribution business which is the major contributor to the Group's operations. It comprises trading and distribution of consumer products, building materials, industrial and agricultural chemical products and liquor products. These activities are covered by several companies in Sabah, Sarawak and Peninsular Malaysia which are operating segments, and have been aggregated into the Trading and Distribution segment as they exhibit similar nature of business and methods of distribution of products.

The retail business is shown as a separate reportable segment following the acquisition of Watts Harrisons Sdn. Bhd. in Peninsular Malaysia and Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. in Singapore. Both entities are principally involved in the retailing of household and consumer goods.

Other than the above, the Group provides engineering, insurance, shipping, travel agency services and rental of property, none of which is of a sufficient size to be reported separately.

The chief operating decision-maker evaluates performance of segments by reviewing revenue, profit before tax and monthly internal management reports in order to allocate resources to segments.

Intersegment revenue comprises dividend income, rental received from the letting out of properties and management services rendered to other business segments within the Group.

Segment results represent segment revenue less segment expenses. Unallocated costs represent interest income and finance cost.

Segment assets consist primarily of property, plant and equipment, inventories, operating receivables, short term and other investments and cash and bank balances. Segment liabilities comprise mainly of payables and other operating liabilities. Unallocated assets consist of tax assets and deferred tax assets. Unallocated liabilities consist of tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5. SEGMENT REPORTING (CONTINUED)

2022	Trade And distribution RM'000	Retail RM'000	Shipping and others RM'000	Group RM'000
Revenue				
Total segment revenue	**2,119,683**	**37,445**	**64,818**	**2,221,946**
Inter segment revenue	**(647)**	**-**	**(47,184)**	**(47,831)**
External revenue	**2,119,036**	**37,445**	**17,634**	**2,174,115**
Results				
Segment results (external)	**81,207**	**5,768**	**6,696**	**93,671**
Interest income				**1,820**
Finance costs				**(5,614)**
Profit before taxation				**89,877**
Taxation				**(21,896)**
Profit for the financial year				**67,981**
Capital employed				
Segment assets	**801,678**	**37,531**	**68,140**	**907,349**
Unallocated assets				**11,657**
Total assets				**919,006**
Segment liabilities	**473,074**	**15,798**	**2,663**	**491,535**
Unallocated liabilities				**7,544**
Total liabilities				**499,079**
Other information				
Capital expenditure incurred during the financial year	**4,245**	**409**	**19,379**	**24,033**
Additions in right-of-use assets	**3,378**	**6,473**	**219**	**10,070**
Depreciation of property, plant and equipment	**4,223**	**607**	**310**	**5,140**
Depreciation of right-of-use assets	**9,525**	**4,939**	**56**	**14,520**
Depreciation of investment properties	**29**	**-**	**-**	**29**
Reversal of loss allowance for trade and other receivables	**(5,348)**	**-**	**(15)**	**(5,363)**
Provision for obsolescence of inventories	**5,152**	**-**	**-**	**5,152**
Inventories written off	**2,698**	**-**	**-**	**2,698**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5. SEGMENT REPORTING (CONTINUED)

2021	Trade And distribution RM'000	Retail RM'000	Shipping and others RM'000	Group RM'000
Revenue				
Total segment revenue	1,884,531	37,412	30,931	1,952,874
Inter segment revenue	(611)	(73)	(20,709)	(21,393)
External revenue	1,883,920	37,339	10,222	1,931,481
Results				
Segment results (external)	53,449	8,903	(155)	62,197
Interest income				1,295
Finance costs				(4,859)
Profit before taxation				58,633
Taxation				(14,157)
Profit for the financial year				44,476
Capital employed				
Segment assets	643,496	31,843	56,821	732,160
Unallocated assets				9,270
Total assets				741,430
Segment liabilities	348,903	12,571	2,216	363,690
Unallocated liabilities				5,934
Total liabilities				369,624
Other information				
Capital expenditure incurred during the financial year	3,552	321	540	4,413
Additions in right-of-use assets	14,893	950	482	16,325
Depreciation of property, plant and equipment	5,019	584	336	5,939
Depreciation of right-of-use assets	9,148	5,670	191	15,009
Depreciation of investment properties	34	-	-	34
Reversal of loss allowance for trade and other receivables	(3,675)	(5)	(73)	(3,753)
Provision for obsolescence of inventories	1,912	-	-	1,912
Inventories written off	2,644	-	-	2,644

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5. SEGMENT REPORTING (CONTINUED)

	Trade And distribution RM'000	Retail RM'000	Shipping and others RM'000	Group RM'000
2022				
Analysis of external revenue by category				
- Consumer products	**1,750,798**	**37,445**	**-**	**1,788,243**
- Building materials	**312,724**	**-**	**-**	**312,724**
- Chemical products	**55,514**	**-**	**-**	**55,514**
- Commission, handling fees and others	**-**	**-**	**17,634**	**17,634**
	2,119,036	**37,445**	**17,634**	**2,174,115**
Analysis of external revenue by geographical market				
- Sabah	**1,185,978**	**-**	**15,808**	**1,201,786**
- Sarawak	**587,107**	**-**	**834**	**587,941**
- Peninsular Malaysia	**345,951**	**3,607**	**992**	**350,550**
- Singapore	**-**	**33,838**	**-**	**33,838**
	2,119,036	**37,445**	**17,634**	**2,174,115**
2021				
Analysis of external revenue by category				
- Consumer products	1,571,226	37,339	-	1,608,565
- Building materials	265,268	-	-	265,268
- Chemical products	47,426	-	-	47,426
- Commission, handling fees and others	-	-	10,222	10,222
	1,883,920	37,339	10,222	1,931,481
Analysis of external revenue by geographical market				
- Sabah	1,059,400	-	8,437	1,067,837
- Sarawak	545,703	-	711	546,414
- Peninsular Malaysia	278,817	3,842	1,074	283,733
- Singapore	-	33,497	-	33,497
	1,883,920	37,339	10,222	1,931,481

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6. REVENUE

	2022 RM'000	2021 RM'000
Group		
Revenue from contract with customers	**2,174,115**	1,931,481
Disaggregation of the Company's revenue from contracts with customers:		
Sale of goods	**2,156,481**	1,921,259
Shipping services	**16,146**	9,006
Others	**1,488**	1,216
	2,174,115	1,931,481
Timing of revenue recognition		
- at a point in time	**2,157,969**	1,922,475
- at over time	**16,146**	9,006
	2,174,115	1,931,481
Company		
Revenue from other source	**42,896**	16,974
Dividends from subsidiaries	**41,904**	15,900
Dividends from third parties	**992**	1,074
	42,896	16,974

7. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense:				
- bank overdrafts	**122**	134	**-**	-
- bankers' acceptances	**2,271**	1,992	**-**	-
- revolving credit	**109**	133	**-**	-
- lease liabilities	**3,112**	2,600	**3**	2
	5,614	4,859	**3**	2

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8. PROFIT BEFORE TAXATION

The following items have been charged/(credited) in arriving at profit before taxation:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Auditors' remuneration:				
- statutory audit fees	**849**	747	**218**	183
Cost of inventories recognised as expense	**1,919,964**	1,714,700	**-**	-
Reversal of loss allowance:				
- trade and other receivables	**(5,363)**	(3,753)	**-**	-
- amount due from an associate	**161**	(26)	**-**	-
Provision for obsolescence of inventories	**5,152**	1,912	**-**	-
Inventories written off	**2,698**	2,644	**-**	-
Property, plant and equipment:				
- depreciation	**5,140**	5,939	**188**	211
- gain on disposal	**(384)**	(94)	**(354)**	(49)
- written off	**-**	81	**-**	-
Depreciation of investment properties	**29**	34	**-**	-
Depreciation of right-of-use assets	**14,520**	15,009	**38**	35
Gain on disposal of financial assets at FVTPL	**(192)**	(112)	**(192)**	(53)
Fair value loss on financial assets at FVTPL	**1,454**	645	**1,495**	645
Unrealised foreign exchange gain	**12**	172	**-**	-
Dividends from third parties	**(992)**	(1,074)	**(992)**	(1,074)
Dividends from subsidiaries	**-**	-	**(41,904)**	(15,900)
Interest income:				
- amount due from subsidiaries	**-**	-	**(328)**	(612)
- external	**(1,600)**	(1,094)	**(4)**	(3)
- amounts due from an associate	**(220)**	(201)	**-**	-
Management fees receivable from an associate	**(12)**	(12)	**-**	(120)
Management fee payable to a subsidiary	**-**	-	**1,126**	999
Outward transportation charges	**17,947**	16,869	**-**	-
Rental income on land and buildings	**(1,248)**	(1,174)	**-**	-
Staff costs:				
- salaries, wages, bonus, commissions and allowances*	**87,639**	83,170	**498**	447
- defined contribution plan	**11,660**	10,970	**-**	-
- others	**1,366**	1,079	**-**	-
Wage subsidy	**(158)**	(2,280)	**-**	-
Rental and property tax rebates	**(157)**	(1,303)	**-**	-
Short term and low value lease expenses	**38**	74	**-**	-
Travelling expenses	**3,210**	2,759	**29**	-

* includes Directors' remuneration. The Directors' remuneration is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors during the financial year is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Fees and allowances	**498**	477	**498**	477
Salaries and other emoluments	**1,348**	1,320	**-**	-
Defined contribution plan	**202**	198	**-**	-
	2,048	1,995	**498**	477
Estimated monetary value of benefits-in-kind	**24**	24	**-**	-

10. TAXATION

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
The tax charge for the financial year comprise:				
- Malaysian tax	**23,863**	14,671	**430**	(77)
- Deferred tax (Note 16)	**(1,967)**	(514)	**-**	288
	21,896	14,157	**430**	211
Current tax:				
- Current financial year	**23,257**	14,970	**430**	155
- Under/(Over) accrual in prior years	**606**	(299)	**-**	(232)
	23,863	14,671	**430**	(77)
Deferred tax:				
- Origination and reversal of temporary differences	**(1,967)**	(514)	**-**	288
	21,896	14,157	**430**	211

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

10. TAXATION (CONTINUED)

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation	**89,877**	58,633	**39,924**	14,975
Tax calculated at the Malaysian tax rate of 24% (2021: 24%)	**21,570**	14,072	**9,582**	3,594
Tax effects of				
- Expenses not deductible for tax purposes	**3,001**	1,677	**1,278**	709
- Income not subject to tax	**(571)**	(446)	**(10,436)**	(4,114)
- Different tax rate in other countries	**(374)**	(600)	**-**	-
- Deferred tax assets not recognised	**93**	-	**-**	-
- Utilisation of tax losses not recognised in prior years	**(530)**	(150)	**-**	-
- Under/(Over) accrual of income tax in prior years	**606**	(299)	**-**	(232)
- Origination and reversal of temporary differences not recognised in prior years	**(1,899)**	(97)	**6**	254
Taxation	**21,896**	14,157	**430**	211

The amount of unused tax losses and deductible temporary differences for which no deferred tax asset is recognised in the statements of financial position is as follows:

	Group	
	2022	2021
	RM'000	RM'000
Deductible temporary differences (no expiry date)	**778**	778
Unused tax losses (expiring in Year 2025)	**259**	2,082
	1,037	2,860
Deferred tax assets not recognised at 24%	**249**	686

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11. EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing the profit for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares repurchased by the Company and held as treasury shares.

	Group	
	2022	2021
Profit for the financial year attributable to owners of the Company (RM'000)	**66,741**	41,738
Number of ordinary shares in issue ('000)	**68,476**	68,476
Basic and diluted earnings per share (sen)	**97.47**	60.95

12. DIVIDENDS

Dividends recognised as distribution to the shareholders by the Company are as follows:

	2022	2021
	RM'000	RM'000
In respect of the financial year ended 31 December 2021 declared and paid in the financial year ended 31 December 2022:		
Final dividend of RM0.30 per ordinary shares paid on 22 August 2022	**20,543**	-
In respect of the financial year ended 31 December 2020 declared and paid in the financial year ended 31 December 2021:		
Final dividend of RM0.20 per ordinary shares paid on 23 August 2021	**-**	13,695
	20,543	13,695

For the financial year ended 31 December 2022, the Directors have recommended the payment of a final dividend of RM0.50 per ordinary share amounting to RM34.2 million, subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost					
As at 1 January 2022	**328**	**24,877**	**19,899**	**56,267**	**101,371**
Additions	**-**	**19,958**	**1,073**	**3,002**	**24,033**
Disposals	**-**	**(123)**	**(81)**	**(1,641)**	**(1,845)**
Write-off	**-**	**-**	**(267)**	**(472)**	**(739)**
As at 31 December 2022	**328**	**44,712**	**20,624**	**57,156**	**122,820**
Accumulated depreciation					
As at 1 January 2021	**-**	**(9,287)**	**(14,504)**	**(40,431)**	**(64,222)**
Charge for the financial year	**-**	**(271)**	**(1,160)**	**(3,709)**	**(5,140)**
Disposals	**-**	**124**	**66**	**1,643**	**1,833**
Write-off	**-**	**-**	**267**	**472**	**739**
As at 31 December 2022	**-**	**(9,434)**	**(15,331)**	**(42,025)**	**(66,790)**
Accumulated impairment					
As at 1 January 2022/31 December 2022	**-**	**(2,793)**	**-**	**-**	**(2,793)**
Net book value					
As at 31 December 2022	**328**	**32,485**	**5,293**	**15,131**	**53,237**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost					
As at 1 January 2021	328	24,530	19,669	54,327	98,854
Additions		347	1,512	2,554	4,413
Disposals	-		(1,282)	(40)	(1,322)
Write-off	-	-		(574)	(574)
As at 31 December 2021	328	24,877	19,899	56,267	101,371
Accumulated depreciation					
As at 1 January 2021	-	(8,966)	(13,786)	(37,123)	(59,875)
Charge for the financial year	-	(321)	(1,786)	(3,832)	(5,939)
Disposals	-	-	1,068	31	1,099
Write-off	-	-	-	493	493
As at 31 December 2021	-	(9,287)	(14,504)	(40,431)	(64,222)
Accumulated impairment					
As at 1 January 2021/31 December 2021	-	(2,793)	-	-	(2,793)
Net book value					
As at 31 December 2021	328	12,797	5,395	15,836	34,356

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Company			
Cost			
As at 1 January 2022	**908**	**2,032**	**2,940**
Disposal	**-**	**(1,587)**	**(1,587)**
As at 31 December 2022	**908**	**445**	**1,353**
Accumulated depreciation			
As at 1 January 2022	**(620)**	**(1,819)**	**(2,439)**
Charge for the financial year	**-**	**(188)**	**(188)**
Disposal	**-**	**1,572**	**1,572**
As at 31 December 2022	**(620)**	**(435)**	**(1,055)**
Net book value			
As at 31 December 2022	**288**	**10**	**298**
Cost			
As at 1 January 2021	1,066	2,032	3,098
Disposal	(158)	-	(158)
As at 31 December 2021	908	2,032	2,940
Accumulated depreciation			
As at 1 January 2021	(755)	(1,631)	(2,386)
Charge for the financial year	(23)	(188)	(211)
Disposal	158	-	158
As at 31 December 2021	(620)	(1,819)	(2,439)
Net book value			
As at 31 December 2021	288	213	501

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14. RIGHT-OF-USE ASSETS

The Group leases various office buildings and warehouses. Lease contracts are typically made for fixed periods of 2 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants but the leased assets may not be used as security for borrowing purposes.

(i) Amount recognised in the statements of financial position

The statements of financial position shows the following amounts relating to leases:

	Leasehold land*	Office buildings, and ware-houses	Total
	RM'000	RM'000	RM'000
Group			
Net book value			
As at 1 January 2022	**12,836**	**56,329**	**69,165**
Additions	**-**	**10,070**	**10,070**
Modification	**-**	**15,184**	**15,184**
Derecognised	**-**	**(2,265)**	**(2,265)**
Charge for the financial year	**(191)**	**(14,329)**	**(14,520)**
As at 31 December 2022	**12,645**	**64,989**	**77,634**

	Leasehold land*	Office buildings, and ware-houses	Total
	RM'000	RM'000	RM'000
Group			
Net book value			
As at 1 January 2021	13,037	58,696	71,733
Additions	-	16,325	16,325
Derecognised	-	(3,884)	(3,884)
Charge for the financial year	(201)	(14,808)	(15,009)
As at 31 December 2021	12,836	56,329	69,165

* Leasehold land relates to the leases of land with unexpired lease period ranging from 15 to 900 years for the Group's office buildings located in the state of Selangor, Johor and Sabah. The leases had expiring date ranging from 2035 to 2920 and the Company does not have an option to purchase the leased land at the expiry of the lease period. Leasehold land are amortised over the lease terms ranging from 79 to 999 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Amount recognised in the statements of financial position (continued)

The statements of financial position shows the following amounts relating to leases: (continued)

	Office Buildings and warehouses RM'000
Company	
Net book value	
As at 1 January 2022	**75**
Charge for the financial year	**(38)**
As at 31 December 2022	**37**
Net book value	
As at 1 January 2021	10
Addition	100
Charge for the financial year	(35)
As at 31 December 2021	75

(ii) Amounts recognised in the statements of comprehensive income

The statements of comprehensive income show the following amounts relating to leases:

	Group		Company	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Interest expenses on lease liabilities	**3,112**	2,600	**3**	2
Depreciation of right of use of assets	**14,520**	15,009	**38**	35
Expense relating to lease of low-value assets (included in administrative expenses)	**38**	74	**-**	-
	17,670	17,683	**41**	37
Total cash outflow for leases (including low value assets)	**17,242**	16,207	**37**	35

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

15. INVESTMENT PROPERTIES

	Group	
	2022	2021
	RM'000	RM'000
Cost		
As at 1 January/31 December	**2,771**	2,771
Accumulated depreciation		
As at 1 January	**(1,063)**	(1,029)
Charge for the financial year	**(29)**	(34)
As at 31 December	**(1,092)**	(1,063)
Net book value	**1,679**	1,708

The fair values of investment properties for the Group as at 31 December 2022 were estimated at RM12,870,000 (2021: RM12,870,000) based on the Director's valuations which are derived using the market approach by way of comparison method of valuation. This method of valuation entails comparing recent ask price of other similar properties in the vicinity whilst making due allowances to factors such as location and size. The fair values are categorised as Level 3 in the fair value hierarchy as the valuations were based on observable valuation inputs, which were then adjusted to take into consideration the age and condition of the buildings.

The aggregate lease income arising from investment properties of the Group that generated lease income which was recognised during the financial year amounted to RM933,000 (2021: RM861,000).

The Group leases out its investment properties. The Group classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	Group	
	2022	2021
	RM'000	RM'000
Within 1 year	564	567
Total undiscounted lease payments	564	567

16. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax after offsetting to be recovered after more than 12 months:				
- Deferred tax assets	**10,796**	8,834	**93**	93
- Deferred tax liabilities	**(2,403)**	(2,408)	**-**	-
At 31 December	**8,393**	6,426	**93**	93
At 1 January	**6,426**	5,912	**93**	381
(Charged)/Credited to profit or loss (Note 10):				
- property, plant and equipment	**60**	(514)	**(2)**	30
- loss allowance for trade receivables	**(1,591)**	(405)	**-**	-
- inventories	**1,231**	450	**-**	-
- accruals	**2,807**	1,144	**2**	(3)
- right-of-use assets	**(229)**	(2,599)	**9**	(16)
- lease liabilities	**(311)**	2,756	**(9)**	17
- unutilised tax losses	**-**	(506)	**-**	(316)
- intangible asset	**-**	188	**-**	-
	1,967	514	**-**	(288)
At 31 December	**8,393**	6,426	**93**	93

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16. DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets (before offsetting)				
- loss allowance for trade receivables	**2,287**	3,878	**-**	-
- inventories	**4,901**	3,670	**-**	-
- accruals	**8,277**	5,470	**120**	118
- lease liabilities	**14,140**	14,451	**10**	19
	29,605	27,469	**130**	137
Offsetting	**(18,809)**	(18,635)	**(37)**	(44)
Deferred tax assets (after offsetting)	**10,796**	8,834	**93**	93
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	**(7,474)**	(7,534)	**(28)**	(26)
- right-of-use assets	**(13,738)**	(13,509)	**(9)**	(18)
	(21,212)	(21,043)	**(37)**	(44)
Offsetting	**18,809**	18,635	**37**	44
Deferred tax liabilities (after offsetting)	**(2,403)**	(2,408)	**-**	-

17. FINANCIAL ASSETS AT FVOCI

Financial assets at FVOCI include the following:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Quoted:				
- Equity securities – Malaysia	**321**	310	-	-
- Equity securities – Singapore	**2,752**	2,425	**2,752**	2,425
	3,073	2,735	**2,752**	2,425

18. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include the following:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Quoted:				
- Unit trust funds – Malaysia	**23,546**	27,850	**21,371**	27,341

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19. SUBSIDIARIES AND INVESTMENT IN ASSOCIATE

Subsidiaries

	Company	
	2022	2021
	RM'000	RM'000
Unquoted shares at cost	**92,728**	65,581
Less: Allowance for impairment loss	**(7,984)**	(7,984)
	84,744	57,597

The Group's effective equity interest in the subsidiaries are as follows:

Name of companies	Effective equity interest		Principal activities
	2022	2021	
	%	%	
Incorporated in Malaysia			
Held directly by Harrisons Holdings (Malaysia) Berhad			
Harrisons Peninsular Sdn Bhd	**100**[(a)]	100	Marketing, sales and distribution of building materials, industrial and agricultural chemical products liquor products and the operation of shipping and insurance agencies
Harrisons Sabah Sdn. Bhd.	**100**	100	Marketing, sales anddistribution of consumer, engineering, building and agricultural chemical products,operation of shipping and investment holding
Harrisons Sarawak Sdn. Bhd.	**100**	100	Marketing, sales and distribution of consumer, engineering, building and agricultural chemical products, operation of shipping and investment holding
Harrisons Marketing & Services Sdn. Bhd. α	**100**	100	Trading of consumer products
Jantaco Realty Sdn. Bhd.	**100**[(b)]	100	Letting out property and collection of rental from the property and to deal with property management and investment

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19. SUBSIDIARIES AND INVESTMENT IN ASSOCIATE (CONTINUED)

Subsidiaries

The Group's effective equity interest in the subsidiaries are as follows: (continued)

Name of companies	Effective equity interest 2022 %	2021 %	Principal activities
Incorporated in Malaysia			
Subsidiaries of Harrisons Peninsular Sdn. Bhd.			
J. Whyte (Malaysia) Sdn. Bhd.	**100**	100	Letting of property and related services
Harrisons Chemicals Sdn Bhd	**100**	100	Dormant
Weedone Products (Malaysia) Sdn. Bhd. #	**100**	100	Dormant
Marca Privada Sdn. Bhd. #	**100**	100	Procurement and marketing of consumer goods
Harrisons Corporate Services Sdn Bhd	**100**	100	Provision of management services
Watts Harrisons Sdn. Bhd. #	**100**	100	Retailing of household and consumer goods
Incorporated in Singapore			
Famous Foods Company Pte. Ltd. #	**72**	72	Investment holding
The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd. #	**72**	72	Manufacturing and retailing of consumer goods
Subsidiaries of Harrisons Sabah Sdn. Bhd.			
Harrisons Travel Sdn. Bhd. +	**100**	100	Travel agent
Harcros (Sabah) Sdn. Bhd.	**100**	100	Dormant

\# Not audited by PricewaterhouseCoopers PLT, Malaysia.

\+ Harrisons Sabah Sdn. Bhd. holds an effective equity interest of 73% in Harrisons Travel Sdn. Bhd. The remaining 27% is held by Harrisons Peninsular Sdn. Bhd. Therefore, the Group holds an effective equity interest of 100%.

α The Company holds an effective equity interest of 74% in Harrisons Marketing & Services Sdn. Bhd. The remaining 26% is held by Harrisons Peninsular Sdn. Bhd. Therefore, the Group holds an effective equity interest of 100%.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19. SUBSIDIARIES AND INVESTMENT IN ASSOCIATE (CONTINUED)

Subsidiaries

During the financial year, the Company has made the following acquisition:

(a) The paid up ordinary shares capital of Harrisons Peninsular Sdn. Bhd. ("HPSB") was increased from RM26,200,000 to RM34,546,780 through issuance of 8,346,780 ordinary shares to the Company by offsetting the amount due to the Company of RM8,346,780.

(b) The paid up ordinary shares capital of Jantoco Realty Sdn. Bhd. ("JRSB") was increased from RM 100 to RM18,800,000 through issuance of 9,999,900 ordinary shares and 8,800,000 preference shares to the Company for cash consideration of RM18,799,900.

During the financial year, the Company acquired 18.8 million ordinary shares representing 100% of the total issued and paid-up share capital of Jantaco Realty Sdn. Bhd. ("Jantaco Realty"), for a total cash consideration of RM18.8 million. The intended principal activities of Jantaco Realty are letting out property and collection of rental from the property and to deal with property management and investment. The acquisition of this entity did not contribute significantly to the results of the Group.

Investment in associate

The Group has not recognised its share of profit after tax of an associate for the financial year of RM12,000 (2021: Loss after tax of RM28,000) as the share of accumulated losses of the associate of RM857,000 (2021: accumulated loss of RM 845,000) had exceeded the carrying amount of the investment. Hence, the current year's share of profit after tax of the associate was used to offset against the Group's share of accumulated losses in the associate that were previously not recognised. The cost of the investment was RM24,500 and has been fully written down.

The Group's unrecognised cumulative share of losses of the associate based on unaudited results of the associate is RM857,000 (2020: RM845,000).

The Group's effective equity interest in the associate is as follows:

Name of company	Effective equity interest **2022** **%**	 2021 %	Principal activities
Associate of Harrisons Peninsular Sdn. Bhd.			
Harrisons Logistics Sdn. Bhd. #	**30**	30	Marketing, sales, warehousing and distribution of agrochemical products and building materials and forwarding agent

Not audited by PricewaterhouseCoopers PLT, Malaysia. The above associate is incorporated in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20. INTANGIBLE ASSETS

The intangible asset represents franchise rights of Famous Amos with indefinite useful life. In assessing for impairment, Famous Amos is regarded as a separate cash-generating-unit ("CGU"). Accordingly, the franchise rights have been allocated to this CGU.

The Directors have assessed the recoverable amount based on the value-in-use ("VIU") calculation, which uses cash flow projections based on financial budgets approved by Board of Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate.

The following are the key assumptions used in determining the recoverable amount of these non-financial assets under three scenarios: best, medium and worst case scenarios:

(a) Weightage of 70%, 20% and 10% applied to the best, medium and worst case scenarios;

(b) For best case scenario, revenue is expected to increase by 6% in FY2023 and increase by 5% from FY2024 to FY2027, benchmarked against historical growth rate. For medium case scenario, revenue is expected to increase by 5% every year compared to FY2022 actual results with from FY2023 to FY2027. For worst case scenarios, revenue is expected to increase by 5% in FY2023 and 0% increase from FY2024 to FY2027.

    In the previous financial year, for best case scenario, revenue was expected to decrease by 4% in FY2022 and increase by 5% from FY2023 to FY2026, benchmarked against historical growth rate. For medium case scenario, revenue in FY2022 was expected to remain constant to FY2021 actual results with subsequent increase of 1% from FY2023 to FY2026. For worst case scenarios, revenue was expected to decrease by 5% in FY2022 and 0% increase from FY2023 to FY2026;

(c) Annual capital expenditure based on historical experience of management and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure;

(d) The growth rate used to extrapolate the cash flows beyond the budget period is 0% (2021: 0%); and

(e) Pre-tax discount rate of 8.80% (2021: 8.08%) is applied across all scenarios, benchmarked against local peers at the date of assessment.

Based on the impairment assessment, no impairment loss has been identified for the intangible asset. Based on sensitivity analysis performed, reasonable change in the key assumptions by an adjustment of 1% to the pre-tax discount rate and a 3% decrease in the projected revenue will not result in any impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21. INVENTORIES

	Group	
	2022	2021
	RM'000	RM'000
Finished goods	**232,546**	151,362
Raw materials	**2,590**	1,972
	235,136	153,334

The carrying amount of inventories is RM235.1 million (2021: RM153.3 million) after deducting provision for obsolescence of inventories amounting to RM20.3 million (2021: RM15.1 million).

The cost of inventories recognised as an expense during the financial year amounted to RM1.9 billion (2021: RM1.7 billion).

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables	**337,757**	315,874	-	-
Less: Loss allowance	**(25,387)**	(30,750)	**-**	-
Trade receivables - net	**312,370**	285,124	**-**	-
Amounts due from subsidiaries	**-**	-	**58,992**	17,827
Less: Loss allowance	-	-	**(1,289)**	(1,289)
Amount due from subsidiaries - net	**-**	-	**57,703**	16,538
Deposits	**6,661**	6,101	**83**	51
Prepayments	**834**	681	**164**	209
Other receivables	1,894	2,434	**243**	110
	9,389	9,216	**490**	370
	321,759	294,340	**58,193**	16,908

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2021: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is amount due from an associate of RM3,311,000 (2021: RM3,121,000) which has been fully impaired. This amount represents balances arising from trade transactions and advances which are unsecured and have no fixed term of repayment.

The amounts due from subsidiaries represent expenses paid on behalf of the subsidiaries. These balances are unsecured, repayable on demand and bear interest at a rate of 7.1% (2021: 7.1%) per annum. An impairment loss of RM1,289,000 in respect of the impaired outstanding balances had been recognised in the previous financial year.

On 1 March 2022, the Company subscribed for 8,346,780 ordinary shares of RM1 each in Harrisons Peninsular Sdn. Bhd. ("HPSB") for a total consideration of RM8,346,780, which was settled with the equivalent amount that was due from HPSB.

Reconciliation of loss allowance

The movement of loss allowance is as follows:

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	**30,750**	38,520
Allowance for loss allowance recognised in profit or loss during the financial year	**(4,805)**	(3,753)
Write off	**(558)**	(4,017)
At 31 December	**25,387**	30,750

23. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**71,665**	12,258	**-**	-
Cash and bank balances	**111,738**	128,532	**23,404**	18,367
Cash and cash equivalents	**183,403**	140,790	**23,404**	18,367

The effective interest rate of fixed deposits with licensed banks during the financial year is 2.71% (2021: 1.55%) per annum. The maturity period of these deposits is 3 months (2021: 3 months). Bank balances are deposits held at call with bank

The currency exposure profile of deposits, cash and bank balances are disclosed in Note 31(i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Current liabilities:				
Trade payables	**164,432**	188,330	-	-
Other payables	**4,951**	2,279	**-**	-
Accruals	**46,007**	10,234	**803**	795
Payroll liabilities	**17,415**	17,838	**-**	-
Provision for reinstatement costs	**529**	618	**-**	-
Refundable deposits	**16,234**	14,902	**-**	-
	249,568	234,201	**803**	795

Credit terms of trade payables granted to the Group and the Company range from 5 days to 90 days (2021: 5 days to 90 days).

25. BORROWINGS

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Bankers' acceptance	**170,145**	66,179	**53,000**	4,989
Revolving credit	**2,000**	2,500	**-**	-
	172,145	68,679	**53,000**	4,989

The unsecured short-term bankers' acceptances have an average maturity period of on call to one month (2021: on call to one month). The revolving credit has a maturity period of 60 days (2021: 60 days).

The average interest rates per annum of borrowings that were effective as at the reporting date are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	%	%	**%**	%
Bankers' acceptances	**3.04**	2.57	**3.05**	2.85
Revolving credit	**4.11**	3.85	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26. LEASE LIABILITIES

Lease liabilities are presented in the statements of financial position as follows:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Current liabilities	**13,207**	11,531	**35**	33
Non-current liabilities				
- due within 2 to 5 years	**30,187**	26,211	**8**	44
- due more than 5 years	**26,428**	23,068	**-**	-
	56,615	49,279	**8**	44
Total lease liabilities	**69,822**	60,810	**43**	77

The movement of lease liabilities is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**60,810**	63,366	**77**	10
Addition during the financial year	**10,070**	16,325	**-**	100
Interest charged during the financial year (Note 7)	**3,112**	2,600	**3**	2
Repayment of lease liabilities	**(17,204)**	(16,133)	**(37)**	(35)
Derecognition	**(2,030)**	(4,045)	**-**	-
Modification	**15,221**	-	**-**	-
Effects of rent concession and property tax rebate received during the financial year	**(157)**	(1,303)	**-**	-
At 31 December	**69,822**	60,810	**43**	77

27. SHARE CAPITAL

	Group and Company	
	2022	2021
	RM'000	RM'000
Issued and fully paid ordinary shares:		
At beginning/end of the financial year	**68,523**	68,523

Treasury shares

The cumulative number of shares repurchased as at the reporting date is 13,000 at a total consideration of RM17,936. The average price paid for the shares repurchased is approximately RM1.38 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the provision Section 127 of the Companies Act 2016. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended. None of the treasury shares repurchased have been sold as at 31 December 2022.

As at 31 December 2022, the number of outstanding shares in issue after setting off treasury shares of 13,000 (2021: 13,000) against equity is 68,476,200 (2021: 68,476,200).

28. COMMITMENTS

(a) Capital commitments

The Group has approved but not contracted for capital expenditure in respect of property, plant and equipment for a sum of RM4,353,000 (2021: RM5,385,000).

(b) Non-cancellable operating leases

The Group leases various office buildings and warehouses under non-cancellable operating lease agreements. The lease terms range between 2 and 10 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

The Group has recognised right-of-use assets for these assets, except for short-term and low-value leases, Note 14 and Note 26 for further information.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Group	
	2022	2021
	RM'000	RM'000
Within one year	**39**	72
Later than one year and not later than five years	**50**	64
	89	136

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(a) Management services rendered by a subsidiary

	Company	
	2022	2021
	RM'000	RM'000
Harrisons Corporate Services Sdn. Bhd.	**1,126**	999

(b) Advances to subsidiaries

	Company	
	2022	2021
	RM'000	RM'000
Harrisons Sabah Sdn. Bhd.	**49,632**	-
Harrisons Peninsular Sdn. Bhd.	**-**	7,910

(c) Companies in which certain Directors of the Company and/or close members of the family have substantial financial interest:

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
(i) Rental of office space from Sinar Nusantara Sdn. Bhd. #	**166**	171	**36**	37
(ii) Rental of warehouses from two companies in which close members of the family of a Director of the Company have 50% equity interest	**816**	816	**-**	-

\# Directors, Pandjijono Adijanto @ Tan Hong Phang and Mariana Adijanto @ Tan Phwe Leng, and/or close members of the family have substantial financial interests in Sinar Nusantara Sdn. Bhd.

The Directors of the Company, Pandjijono Adijanto @ Tan Hong Phang and Mariana Adijanto @ Tan Phwe Leng, and/or close members of the family have substantial financial interests in Bumi Raya International Holding Company Limited which holds 40.88% (2021: 40.88%) direct interest in the Company.

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Key management:				
- fees and allowances	**684**	601	**498**	477
- basic salaries and bonus	**4,130**	4,070	**-**	-
- defined contribution retirement plan	**667**	648	**-**	-
	5,481	5,319	**498**	477
Estimated monetary value of benefits-in-kind	**103**	106	**-**	-

Key management personnel of the Group refer to the Directors of the Company and certain senior management.

Included in the key management compensation are Directors' remuneration as disclosed in Note 9 to the financial statements.

There are no outstanding receivables from close family members of key management personnel nor any payables outstanding to entities controlled by key management personnel for the current and prior financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 **RM'000**	2021 RM'000
Group		
Financial assets measured at amortised cost		
Trade and other receivables (excluding prepayments)	**320,925**	293,659
Deposits, cash and cash equivalents	**183,403**	140,790
	504,328	434,449
Financial asset measured at FVOCI		
Financial assets at FVOCI	**3,073**	2,735
Financial asset measured at FVTPL		
Financial assets at FVTPL	**23,546**	27,850
Financial liabilities measured at amortised cost		
Trade and other payables (excluding provisions and payroll liabilities)	**215,390**	200,843
Short-term bank borrowings	**172,145**	68,679
Lease liabilities	**69,822**	60,810
	457,357	330,332

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	2022 RM'000	2021 RM'000
Company		
Financial assets measured at amortised cost		
Trade and other receivables (excluding prepayments)	**58,029**	16,699
Deposits, cash and cash equivalents	**23,404**	18,367
	81,433	35,066
Financial asset measured at FVOCI		
Financial assets at FVOCI	**2,752**	2,425
Financial asset measured at FVTPL		
Financial assets at FVTPL	**21,371**	27,341
Financial liabilities measured at amortised cost		
Trade and other payables (excluding provisions and payroll liabilities)	**803**	795
Borrowings	**53,000**	4,989
Lease liabilities	**43**	77
	53,846	5,861

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, price risk, credit risk and liquidity risk. The Group's and the Company's overall financial risk management objectives are to ensure that the Group and the Company create value for the shareholders. Financial risk management is carried out through internal control systems and adherence to the Group's and the Company's financial risk management policies.

(i) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency exchange risk as a result of the foreign currency transactions denominated in currencies other than Ringgit Malaysia.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency exchange risk (continued)

At the end of the reporting period, the carrying amounts of financial assets and liabilities denominated in currencies other than the functional currency are as follows:

	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
Group				
As at 31 December 2022				
Deposits, cash and bank balances	**1,173**	**18,632**	**673**	**20,478**
Financial assets at FVOCI	**-**	**2,752**	**-**	**2,752**
Trade and other receivables	**-**	**3,382**	**-**	**3,382**
Trade and other payables	**-**	**(6,316)**	**-**	**(6,316)**
	1,173	**18,450**	**673**	**20,296**
As at 31 December 2021				
Deposits, cash and bank balances	3,287	16,365	484	20,136
Financial assets at FVOCI	-	2,425	-	2,425
Trade and other receivables	-	2,353	-	2,353
Trade and other payables	-	(4,905)	-	(4,905)
	3,287	16,238	484	20,009
Company				
As at 31 December 2022				
Financial assets at FVOCI	**-**	**2,752**	**-**	**2,752**
As at 31 December 2021				
Financial assets at FVOCI	-	2,425	-	2,425

The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity of the Group's and the Company's profit after tax and other comprehensive income and equity, to a reasonably possible change in the USD and SGD exchange rates against the functional currency of the Group and the Company, with all other variables held constant.

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
	Gain	Gain	**Gain**	Gain
Impact on profit or loss net of tax due to increases in				
- USD by 5%:	**45**	125	**-**	-
- SGD by 5%:	**589**	518	**-**	-
Impact on other comprehensive income net of tax due to increases in				
- SGD by 5%	**105**	92	**105**	92

Decreases in the exchange rates with the same magnitude will have the equal but opposite effects to the amount shown above.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises primarily from borrowings issued at floating rates and short term deposits. The Group and the Company do not enter into any financial instruments to hedge movements in interest rates as the risk is deemed to be insignificant.

A reasonable change in the interest rates would not result in a material impact to the Group's results for the financial year.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to equity price risk arising from its investment in quoted shares. These quoted shares listed on Stock Exchanges of Malaysia and Singapore are classified as FVOCI.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Price risk (continued)

At the end of the reporting period, if the share price of the marketable securities had been 2% higher/lower, with all other variables held constant, the Group's and Company's other reserves would have been RM532,000 and RM482,000 (2021: RM612,000 and RM595,000 higher/lower respectively, arising as a result of an increase/decrease in the fair value of these marketable securities.

(iv) Credit risk

Financial assets that potentially subject the Group's exposure to credit risk arise mainly from cash and cash equivalents, deposits with financial institutions and contractual cash flows of debt instruments carried at amortised cost and FVTPL.

(a) Risk management

Credit risk with respect to receivables are limited as the Group and the Company do not have any significant exposure to any individual customer or counterparty. The Group and the Company's credit risks are minimised through effective monitoring of receivables and suspension of sales to customers whose accounts exceed the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses.

The Group's cash and cash equivalents, deposits with financial institutions and debt instruments carried at FVTPL are placed with creditworthy financial institutions and the risks arising thereof are minimised in view of the financial strength of these financial institutions.

The Company also provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. There was no indication that the loans and advances to the subsidiaries are not recoverable.

(b) Impairment of financial assets

The Group and the Company have the following financial instrument that are subject to the expected credit loss model:

- Trade receivables from goods sold or services performed
- Other receivables
- Amounts due from subsidiaries
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment of MFRS 9, the identified impairment loss was immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

Trade receivables using simplified approach
The Group applies the simplified approach under MFRS 9 to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected losses, trade receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on historical payment profiles of sales and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Other receivables, amounts due from subsidiaries and financial guarantee contracts
The Group and the Company use four categories to reflect their credit risk and how the loss allowance is determined for other receivables and amounts due from subsidiaries which are subject to expected credit losses under the 3-stage general approach. A summary of the assumptions which underpin the expected credit losses model is as follows:

Category	**Company's definition of category**	**Basis for recognising ECL**
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12 months ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Information in respect of the allowance for impairment loss for trade and other receivables is disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

31 December 2022	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	**0.6% - 2.80%**	**1.6% - 6.2%**	**4.3% - 16.6%**	**10% - 100%**	
Gross carrying amount – trade receivables	**138,197**	**122,972**	**38,936**	**37,652**	**337,757**
Loss allowance	**(1,581)**	**(2,073)**	**(4,587)**	**(17,146)**	**(25,387)**
Carrying amount (net of loss allowance)	**136,616**	**120,899**	**34,349**	**20,506**	**312,370**

31 December 2021	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	0.8% - 2.3%	1.9% - 5.4%	4.9% - 17.2%	10.9% - 100%	
Gross carrying amount – trade receivables	145,723	103,426	34,552	32,173	315,874
Loss allowance	(7,430)	(2,386)	(6,161)	(14,773)	(30,750)
Carrying amount (net of loss allowance)	138,293	101,040	28,391	17,400	285,124

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) Credit risk (continued)

(b) Impairment of financial assets (continued)

Maximum exposure to credit risk (continued)

The ECL exposure to other receivables is immaterial to the financial statements as a whole. The amounts due from subsidiaries are repayable on demand. Hence, ECL are based on the assumption that repayment of loans is demanded at the reporting date, with short contractual period for payment. In the case of the Company, allowance for impairment loss is made where the subsidiaries have insufficient assessable high liquid assets to repay the balances if demanded at the reporting date. Information in respect of the allowance for impairment loss for amounts due from subsidiaries is disclosed in Note 22.

Financial guarantee contracts

The Company provides unsecured financial guarantees to banks and trade payables in respect of banking facilities and credit limits granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM 183.6 million (2021: RM142.3 million) representing the financial guarantee contracts issued by the Company in respect of the outstanding banking facilities and trade payables of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was low risk that any subsidiary would default on repayment. Accordingly, the financial guarantee contracts are categorised under the performing category.

(c) Fixed deposits and deposits held at call with licensed banks

	Group		Company	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Deposits, cash and bank balances				
Counterparties with external credit rating:				
- AAA	**72,148**	73,905	**23,403**	18,366
- AA	**109,597**	64,011	**1**	1
- A+	**1,539**	2,760	**-**	-
	183,284*	140,676*	**23,404**	18,367

*excludes cash in hand of the Group amounting to RM119,000 (2021: RM114,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Liquidity risk

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements. The Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000	Total RM'000
As at 31 December 2022				
Group				
Trade and other payables	**249,039**	**-**	**-**	**249,039**
Borrowings	**172,988**	**-**	**-**	**172,988**
Lease liabilities	**14,776**	**32,590**	**26,590**	**73,956**
	436,803	**32,590**	**26,590**	**495,983**
Company				
Trade and other payables	**803**	**-**	**-**	**803**
Financial guarantee contracts:				
- given to subsidiaries' bank borrowings	**163,682**	**-**	**-**	**163,682**
- given to trade payables of the subsidiaries	**19,955**	**-**	**-**	**19,955**
Lease liabilities	**35**	**8**	**-**	**43**
	184,475	**8**	**-**	**184,483**

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Liquidity risk (continued)

	Less than 1 year RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000	Total RM'000
As at 31 December 2021				
Group				
Trade and other payables	233,583	-	-	233,583
Borrowings	68,679	-	-	68,679
Lease liabilities	11,531	26,211	23,068	60,810
	313,793	26,211	23,068	363,072
Company				
Trade and other payables	795	-	-	795
Financial guarantee contracts:				
- given to subsidiaries' bank borrowings	111,604	-	-	111,604
- given to trade payables of the subsidiaries	33,162	-	-	33,162
Lease liabilities	33	44	-	77
	145,594	44	-	145,638

The Company has issued certain corporate guarantees amounting to RM 183.6 million (2021: RM142.3 million) for the benefit of its subsidiaries. The management has exercised judgement in establishing the view that the chances of these being called upon are remote, and that there is no material fair value accreting to the guarantor or the beneficiaries.

(vi) Fair value estimation

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Other than financial assets at FVOCI and FVTPL, the carrying values of trade and other receivables, trade and other payables, borrowings and deposits, cash and bank balances, approximate their fair values as at the reporting date. The Group and the Company measure the financial assets at FVOCI and FVTPL as Level 1 in the fair value hierarchy of MFRS 13.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

32. CAPITAL RISK MANAGEMENT

The Group's and the Company's objectives when managing capital are to ensure that the Group and the Company continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital structure represents the Group's and the Company's ordinary shares and retained earnings.

The Group and the Company were in compliance with the financial debt covenants imposed by the financial institutions for the financial year ended 31 December 2022 and 31 December 2021.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 14 April 2023.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Harrisons Holdings (Malaysia) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 128.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
As at 31 December 2022, the Group has inventory balance of RM235.1 million, net of provision for obsolescence of inventories of RM20.3 million. The provision for inventories obsolescence is estimated by management based on the historical experience of the saleability of inventories based on their respective ageing profiles, and for Harrisons Sabah Sdn. Bhd. ("Sabah"), the expiry profiles for the fast moving consumer products ("CGS"). The percentages derived are applied on the inventories' current ageing bands as at 31 December 2022 according to respective inventory categories. For the fast moving consumer products in Sabah, provisioning rates are applied to the inventories' expiry bands as at 31 December 2022. In deriving these rates, critical assumptions are made by management in assessing net realisable amount for these inventories. We focus on this area as assessing the valuation of inventories is an area where management is required to make critical assumptions and due to this, there is inherent risk in estimating the net realisable value for these inventories. As described in Note 4(a) - Critical accounting estimates and judgements on provision for inventories obsolescence, inventories are carried at the lower of cost and net realisable value. Thus, management is required to make critical assumptions in assessing the estimated net realisable amount for inventories, taking into the consideration of the associated factors giving rise to slow moving items, changing market conditions, availability of substitutes, responses bycompetitors among others in determining	Our audit procedures on the testing of the provision for inventories obsolescence were as follows: • We obtained stock ageing/expiry reports and test the underlying data used by management in estimating the applicable rates used for provision for inventories obsolescence by checking the completeness and accuracy of the underlying data by: i) agreed the total of the report to the management account i.e General Ledger as at 31 December 2022 to ensure completeness of the reports. ii) sighted to the supplier invoice and goods received note for entities which aged the goods based on goods receipt date, to ensure the ageing band of each category of inventories are classified accurately in the ageing bracket and hence, the stock ageing reports generated from the system are reliable to use. iii) sighted to the expiry date on goods for entities which aged the goods based on expiry date, to ensure the expiry band of each category of inventories are classified accurately and hence, the stock expiry reports generated from the system are reliable to use. • We obtained an understanding of the management's policy and the method used by them in assessing the provision for inventories obsolescence. • Based on the Group's policy, we used historical data of slow moving and obsolete inventories to independently estimate the rate of provision for obsolescence of inventories;

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
the level of stock obsolescence. Refer to group financial statement Note 3(l) - Summary of significant accounting policies for inventories, and Note 21 - Inventories to the financial statement.	• We compared our independently computed estimated rate of provision for inventories obsolescence for each category of inventories with the rate of allowance applied by management to determine the reasonableness of the allowance made; and • We checked the reasonableness of management's past estimates by comparing the prior year's projected provision rates for stock obsolescence to the current year's actual stock write-offs and used the results of our assessments to challenge management's current year's projections used for estimating the rates used for provisioning stock obsolescence. • We have assessed the appropriateness of the past trend analysis performed by management for the provision of obsolescence of inventories on inventory balances as at 31 December 2022. Based on audit procedures performed, we concluded that no significant variances were noted.
As at 31 December 2022, the Group has trade receivable balance of RM312.4 million, net of impairment of trade receivables of RM25.4 million. The impairment of trade receivables computed by management is based on the expected loss rates of each ageing band of trade receivables. Specific provisions are made for individual debtors which are in default or credit-impaired. Significant judgement and estimates are required in determining the loss rates to be applied to each ageing band of the trade receivables. We focus on this area as the impairment assessment involves significant judgement by management to ascertain the timing of bad debts and there is inherent risk in determining the impact of the critical assumptions applied by the management in estimating the level of impairment required for trade receivables.	Our audit procedures on the testing of the impairment of trade receivables were as follows: • We obtained debtor ageing reports and test the underlying data used by management in estimating the rate of impairment by checking the below to ascertain whether the debtor ageing reports generated from the system are reliable to be used: i) agreed the total of the report to the management account i.e General Ledger as at 31 December 2022 to ensure completeness of the data used in these reports; and ii) sighted to the invoices to ensure the receivable balances are classified accurately into each ageing bracket. • We obtained an understanding of and evaluated management's grouping of trade receivables based on shared credit risk characteristics and days past due;

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Refer to the group financial statement Note 3(f) - Summary of significant accounting policies for impairment of trade and other receivables, Note 4(b) - Critical accounting estimates and judgements on loss allowance for trade receivables and Note 22 - Trade and other receivables.	• We used historical payment profiles of sales and the corresponding historical credit losses experienced in the historical periods to independently estimate the rate of impairment of trade receivables; • We compared our estimated rate of impairment of trade receivables in each age bracket for each category of trade receivables with the rate of impairment applied by management to determine the reasonableness of the impairment made; and • We obtained supporting documents such as letter of demand for individual debtors that are in default or credit-impaired grouped under individual assessment for specific provisions. Based on the audit procedures above, we have assessed the adequacy of impairment loss made by management on trade receivables as at 31 December 2022 and noted no significant variances.

We have determined that there are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement, Management Discussion and Analysis, Corporate Governance Overview Statement, Other Disclosures, Statement of Directors' Responsibility, Statement on Risk Management and Internal Control, Report of the Audit Committee and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF HARRISONS HOLDINGS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 199001003108 (194675-H)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 19 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

TIANG WOON MENG
02927/05/2024 J
Chartered Accountant

Kuala Lumpur
14 April 2023

LIST OF PROPERTIES

AS AT 31 DECEMBER 2022

Registered Owner	Location	Existing use	Tenure of land	Land area (square meters)	Built-up area/approx. age of building (square meters)	Date of acquisition/ last revaluation	Net book value as at 31.12.2022 RM'000
JWSB	Lot 9, Section 20A, Jalan P. P. Narayanan (Jalan 222) Town of Petaling Jaya, District of Petaling, PJ	Single office Building and single-storey godown	99 years lease expiring on 09.06.2065	6,324.00	2,688.90/ 57 years since 1966	13.03.1986	2,006
JWSB	Unit No. A-7-1, Dua Residency, Jalan Tun Razak, Kuala Lumpur	Condominium	Freehold	2,315.00	16 years Since 2007	27.08.2004	897
HPSB	Lot PTD 19965, Mukim of Pulai, District of Johor Bahru	Three storey corner shophouses	99 years – lease expiring on 29.03.2082	244.24	637.00/ 34 years since 1989	31.12.1990	121
HPSB	Lot No. PT. 4163, Mukim of Kapar, District of Klang, Selangor	2 storey office block with a single storey warehouse	99 years – lease expiring on 09.06.2086	6,066.80	3,042.00/ 41 years since 1982	31.12.1990	1,098
HPSB	Mukim of Kundor, District of Rembau, Negeri Sembilan HS(D)3529-PT655 HS(D)3530-PT656 HS(D)3549-PT675 HS(D)3588-PT714	Vacant Land	Freehold	4,378.69 4,823.84 4,075.18 4,050.90	-	26.08.2003	328
HSarawak	Lot 16, Section 22 Kuching Town Land District	2 storey office block with 2, adjoining warehouse	853 years – lease expiring on 31.12.2790	5,666.00	2,084.31/ 37 years	31.12.1990	1,048
HSabah	H.S (D) No 9914 P.R No. 13789, Mk Bentong, Daerah Bentong, Ng Pahang Lot A322 Tanarimba Janda Baik, Pahang	Two storey Bungalow	99 years lease expiring on 08.09.2095	5,018.83	-	26.03.2008	459
HSabah	Kota Kinabalu Town Lease No. 017503856	3 storey office building	999 years – lease expiring on 23.04.2910	929.00	2,092.45/ 62 years	07.05.1990	3,218
HSabah	Kota Kinabalu Town Lease No. 017511661	2 storey office building	99 years – lease expiring on 26.02.2089	445.92	463.77/ 52 years	07.05.1990	631
HSabah	Likas Industrial Estate Kota Kinabalu, Country Lease No. 015358871	2 storey godown	60 years - lease expiring on 31.12.2028	3,685.46	2,498.99/ 37 years	07.05.1990	54
HSabah	Jalan Istana Town Lease No. 017964260 and 017503141	2 storey bungalow	999 years lease expiring on 12.07.2909 for TL 017964260 99 years lease expiring on 22.07.2053 for TL 017503141	8,297.91	376.44/ 66 years	07.05.1990	692

LIST OF PROPERTIES (CONT'D)

AS AT 31 DECEMBER 2022

Registered Owner	Location	Existing use	Tenure of land	Land area (square meters)	Built-up area/approx. age of building (square meters)	Date of acquisition/ last revaluation	Net book value as at 31.12.2022 RM'000
HSabah	Sandakan Town Lease No. 077504182	3 storey office building	999 years lease expiring on 18.02.2915	925.40	1,309.37/ 64 years	07.05.1990	2,283
HSabah	Sandakan Town Lease No. 077544220	Single storey godown	999 years lease expiring on 30.06.2911	5,989.35	2,090.32/ 37 years	07.05.1990	1,732
HSabah	Tawau Town Lease No. 107504521	2 storey office building cum car showroom	99 years lease expiring on 06.04.2054	929.00	1,039.00/ 37 years	07.05.1990	763
HSabah	Tawau CL105498224	Warehouse	99 years lease expiring on 31.10.2050	6,947.06	2,322.50/ 37 years	30.09.2004	3,658
HSabah	Jalan Merdeka, Labuan Grant No. 207503857	2 storey office building with a godown	999 years lease expiring on 30.06.2901	2,136.77	738.20/ 64 years	07.05.1990	1,849
HSabah	Jalan Merdeka, Labuan Grant No. 207503866	Temporary open space storage	99 years expiring on 27.02.2051	3,530.32	-	07.05.1990	1,180
HSabah	Lahad Datu TL 117508559	Warehouse	99 years lease expiring on 26.01.2066	6,377.86	2,136.70/ 37 years	31.12.1999	1,029
HSabah	Labuan Suburban Grant No. 346	Vacant Land	999 years lease expiring on 03.11.2880	8,862.61	-	14.11.2003	1
HSabah	Labuan Suburban Grant No. 347	Vacant Land	999 years lease expiring on 01.02.2854	10,440.89	-	14.11.2003	1
Famous Amos	Ubi Techpark, Singapore	Office and factory area	60 years lease expiring on 04.07.2057	372.00	372.00/ 43 years	9.4.2018	3,996
Jantoco Realty	Kota Kinabalu Industrial Park (KKIP), Sabah	Vacant Land	99 years lease expiring on 31.12.2096	9,782.00 acres	-	12.9.2022	19,362

Abbreviation:

JWSB	:	J. Whyte (Malaysia) Sdn. Bhd.
HPSB	:	Harrisons Peninsular Sdn. Bhd.
HSabah	:	Harrisons Sabah Sdn. Bhd.
HSarawak	:	Harrisons Sarawak Sdn. Bhd.
Famous Amos	:	The Famous Amos Chocolate Chip Cookie Singapore Pte. Ltd.
Jantoco Realty	:	Jantoco Realty Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

Issued share capital	-	68,489,200 ordinary shares (inclusive of 13,000 treasury shares)
Class of shares	-	Ordinary shares
No. of shareholders	-	1756
Voting right	-	One (1) vote per ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Indirect Interest	
	Names	**No. of Shares**	**% ^**	**No. of Shares**	**% ^**
1.	Bumi Raya International Holding Company Limited	28,005,231[1]	40.89	987,000[+]	1.44
2.	Dunway Holdings Limited	4,580,817[2]	6.69	2,522,300*	3.68
3.	Goodwin Investment Private Limited	4,713,800[3]	6.68	-	-

1. Bumi Raya International Holding Company Limited held through:

	No. of shares
• DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Exempt An for Deutsche Bank AG Singapore (Asing WM CLT)*	28,005,231
	28,005,231

2. Dunway Holdings Limited held through:

	No. of shares
• Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for UBS AG*	4,580,817

3. Goodwin Investment Private Limited held through:

	No. of shares
• Goodwin Investment Private Limited	1,300,000
• UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	3,413,800
	4,713,800

Notes:
^ Excluding 13,000 Harrisons Shares bought back by Harrisons and retained as treasury shares.
+ Deemed interested through Jantoco Holdings Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
* Deemed interested through Jantoco Properties Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 31 MARCH 2023

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS'S SHAREHOLDINGS

		Direct Interest		Indirect Interest	
	Names	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Pandjijono Adijanto @ Tan Hong Phang	89,000	0.13	-	-
2.	Chang Kon Sang	-	-	-	-
3.	Mariana Adijanto @ Tan Phwe Leng	9,000	0.01	-	-
4.	Wong Yoke Kong	169,000	0.25	-	-
5.	Chong Chee Fire (Resigned as Director on 11 April 2023)	150,000	0.22	-	-
6.	Felix Leong	-	-	-	-

* Datuk Lim Tong Lee appointed as Director on 11 April 2023

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	**No. of Shareholders**	**% of Shareholders**	**No. of Shares**	**% of Issued and Paid-Up Capital**
Less than 100	49	2.79	719	0.00
100 – 1,000	622	35.42	495,626	0.72
1,001 – 10,000	837	47.66	3,321,655	4.84
10,001 – 100,000	206	11.73	5,811,108	8.48
100,001 - Less than 5% of issued shares	38	2.16	14,974,844	21.86
5% and Above of Issued shares	4	0.22	43,885,248	64.07
TOTAL	1,756	100.00	68,489,200	100.00

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 31 MARCH 2023

THIRTY (30) LARGEST SECURITIES HOLDERS
(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

	Name	No. of Shares Held	%
1.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Exempt An for Deutsche Bank AG Singapore (Asing WM CLT)*	30,005,231	43.81
2.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Morgan Stanley & Co. International PLC (Client)*	5,880,817	8.59
3.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for OCBC Securities Private Limited (Client A/C-NR)*	4,369,400	6.38
4.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	3,629,800	5.30
5.	Jantoco Properties Sdn. Bhd.	2,522,300	3.68
6.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Credit Suisse (SG BR-TST-ASING)*	1,783,900	2.60
7.	Goodwin Investment Private Limited	1,300,000	1.90
8.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Bank Ltd (SFS-PB)*	1,134,600	1.66
9.	Jantoco Holdings Sdn. Bhd.	987,000	1.44
10.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledge Securities Account for Lim Kuan Gin*	783,000	1.14
11.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Kong Hwee (E-KPG/SGK)*	467,000	0.68
12.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)*	400,000	0.58
13.	Lim Ah Hua	389,000	0.57
14.	Teuh Chin Yap	323,000	0.47
15.	Teo Kock Sei	300,500	0.44
16.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)*	300,000	0.44
17.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Bank Ltd (SFS)*	294,300	0.43
18.	Ng Pek Kheong	258,800	0.38

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 31 MARCH 2023

THIRTY (30) LARGEST SECURITIES HOLDERS
(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)(CONTINUED)

	Name	No. of Shares Held	%
19.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Kong Hwee (E-KPG/SGK)*	233,300	0.34
20.	Lim Kuan Gin	222,200	0.32
21.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Soo Sie*	213,100	0.31
22.	Lim Wee Chin	210,900	0.31
23.	Public Invest Nominees (Asing) Sdn. Bhd. *Exempt An for Phillip Securities Pte Ltd (Clients)*	195,400	0.29
24.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Loh Chooi Teng (Jalan Kuning Dua - CL)*	193,000	0.28
25.	Ng Su Peng	175,000	0.26
26.	Liau Keen Yee	173,800	0.25
27.	Wong Yoke Kong	169,000	0.25
28.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ling Hew Teng (E-BTL)*	168,444	0.25
29.	Tan Kok Tong	155,000	0.23
30.	General Technology Sdn. Bhd.	154,500	0.23
	Total	57,392,292	83.81

HARRISONS HOLDINGS (MALAYSIA) BERHAD
[REGISTRATION NO. 199001003108 (194675-H)]
(INCORPORATED IN MALAYSIA)

NOTICE OF 33RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting ("33rd AGM") of Harrisons Holdings (Malaysia) Berhad ("the Company") to be conducted on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting facilities on the online meeting platform provided by Dvote Services Sdn. Bhd. in Malaysia at https://www.dvote.my (Domain registration number with MYNIC: D6A434007) on Tuesday, 20 June 2023 at 10:30 a.m. for the purpose of considering the following businesses:-

A G E N D A

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors thereon. — **Please refer to Explanatory Note (i)**

2. To re-elect Mr Chang Kon Sang, the Director who is retiring by rotation in accordance with Clause 97 of the Constitution of the Company and being eligible, have offered himself for re-election. — **Ordinary Resolution 1**

3. To re-elect the following directors who are retiring by rotation in accordance with Clause 104 of the Constitution of the Company and being eligible, have offered themselves for re-election:-

   (i) Felix Leong — **Ordinary Resolution 2**

   (ii) Datuk Lim Tong Lee — **Ordinary Resolution 3**

4. To approve the payment of Directors' fees of RM484,719 for the financial year ended 31 December 2022. — **Ordinary Resolution 4**

5. To approve the payment of Directors' benefit payable to the Non-Executive Directors of the Company amounting to RM12,500 for the period from 21 June 2023 until the next Annual General Meeting. — **Ordinary Resolution 5**

6. To re-appoint Messrs. PricewaterhouseCoopers PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 6**

As Special Business:

To consider and if thought fit, pass the following Ordinary Resolutions with or without modifications:

7. **FINAL SINGLE-TIER DIVIDEND** — **Ordinary Resolution 7**

   "THAT a final single-tier dividend of 50 sen per ordinary share in respect of the financial year ended 31 December 2022 be hereby approved for payment on 18 August 2023."

8. **AUTHORITY TO ISSUE AND ALLOT SHARES** **Ordinary Resolution 8**

"THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act 2016.

That the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.

THAT in connection with the above, pursuant to Section 85 of the Companies Act 2016, to be read together with Clause 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares"

9. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 33rd AGM, a final single-tier dividend of 50 sen per ordinary share in respect of the financial year ended 31 December 2022, if approved, will be payable on 18 August 2023 to shareholders whose names appear in the Record of Depositors on 20 July 2023.

A depositor shall qualify for entitlement to the dividend only in respect of:-

a) Securities transferred into the Depositor's Securities Account before 4:30 p.m. on 20 July 2023 in respect of transfers; and

b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

LOW KONG CHOON (MAICSA 0818548 & SSM PC No. 202008003025)
TAN BEE HWA (MAICSA 7058049 & SSM PC No. 202008001174)
Company Secretaries

Kuala Lumpur
28th day of April 2023

NOTES:-

1. The Meeting Platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia.

2. Members/proxies/corporate representatives WILL NOT BE ALLOWED to attend the 33rd AGM in person on the day of the meeting.

3. Members are to attend, speak (including posing questions to the Board via real time submission of typed text(s) and vote (collectively, "participate") remotely at the 33rd AGM via the Remote Participation and Voting Facilities ("RPV") provided by Dvote Services Sdn. Bhd. through its online website at https://www.dvote.my. Please follow the procedures for RPV provided in the Administrative Guide for the fully virtual 33rd AGM.

4. A member entitled to attend and vote at the meeting may appoint a proxy/proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

5. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

8. The instrument appointing a proxy must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time stipulated for holding the meeting or any adjournment thereof.

9. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

10. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 13 June 2023 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

Explanatory notes on Ordinary and Special Business

(i) Item 1 of the Agenda
- Audited Financial Statements for the financial year ended 31 December 2022

This agenda item is meant for discussion only as the provision of Sections 248 and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence this agenda item is not put forward for voting.

(ii) Items 2 & 3 of the Agenda (Ordinary Resolutions 1, 2 & 3)
- Re-election of Directors

No individual is seeking election as a director at the forthcoming 33rd AGM of the Company.

Mr Chang Kon Sang is retiring by rotation in accordance with Clause 97 of the Constitution of the Company whilst Mr Felix Leong and Datuk Lim Tong Lee are retiring in accordance with Clause 104 of the Constitution of the Company.

The profile of the above retiring Directors is set out in the Profile of Directors of the Annual Report 2022 including their latest interests in the shares of the Company disclosed under Analysis of Shareholdings of the Annual Report 2022.

(iii) Items 4 and 5 of the Agenda (Ordinary Resolutions 4 and 5)
- Directors' Fees and Directors' Benefit payable to the Board of the Company and its subsidiaries

Pursuant to Section 230(1) of the Companies Act 2016, the fee of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a director or former director of a listed company and its subsidiaries, shall be approved at a general meeting.

Directors' Fees
The payment of the Directors' fees for the financial year ended 31 December 2022 will only be made if the proposed Resolution 4 has been passed at the 33rd AGM pursuant to Clause 105 of the Company's Constitution and Section 230(1) of the Companies Act 2016.

Directors' Benefit
The Directors' benefit comprises only the meeting allowances payable to the Non-Executive Directors of the Company.

The total amount of meeting allowances of RM12,500 is derived from the number of scheduled and unscheduled meetings (when necessary) and the number of Directors involved in these meetings.

The Board is of the view that it is just and equitable for the Directors to be paid the Directors' meeting allowances as and when incurred, particularly after having discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the period from 21 June 2023 until the next Annual General Meeting in year 2024.

(iv) Item 6 of the Agenda (Ordinary Resolution 6)
- Re-appointment of Auditors

The Audit Committee ("AC") has carried out an assessment of the suitability, objectivity and independence of the external auditors, Messrs. PricewaterhouseCoopers PLT ("PwC") and was satisfied with the suitability of PwC based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The Board therefore approved the AC's recommendation on the re-appointment of PwC as the external auditors of the Company be put forward for the shareholders' approval at the forthcoming 33rd AGM.

(v) Item 8 of the Agenda (Ordinary Resolution 8)
- Authority to Issue and Allot Shares

The proposed Ordinary Resolution 8, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of next Annual General Meeting ("AGM") of the Company.

This is a new mandate and the purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

The previous mandate obtained from the members at the last AGM was not utilised and, accordingly no proceeds were raised.

By voting in favour of this proposed resolution, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Companies Act 2016 and Clause 54 the Company's Constitution to be first offered any new shares ranking equally to the existing issued shares of the Company under this general mandate which will result in a dilution of their shareholding percentage in the Company.

HARRISONS HOLDINGS (MALAYSIA) BERHAD
[REGISTRATION NO. 199001003108 (194675-H)]
(INCORPORATED IN MALAYSIA)

FORM OF PROXY

* I/We ……..

NRIC/ Passport No./ Company No. ……………………………..…………………of………………………………………………………………………

being a Member(s) of **HARRISONS HOLDINGS (MALAYSIA) BERHAD [REGISTRATION NO. 199001003108 (194675-H)],** hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
***And/or**			

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Thirty-Third Annual General Meeting of the Company to be conducted on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting facilities on the online meeting platform provided by Dvote Services Sdn. Bhd. in Malaysia at https://www.dvote.my (Domain registration number with MYNIC: D6A434007) on Tuesday, 20 June 2023 at 10:30 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolution	Agenda	For	Against
1	To re-elect Mr Chang Kon Sang as a Director		
2	To re-elect Mr Felix Leong as a Director		
3	To re-elect Datuk Lim Tong Lee as a Director		
4	To approve the payment of Directors' fees for the financial year ended 31 December 2022		
5	To approve the payment of Directors' benefit payable to the Non-Executive Directors		
6	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company		
7	To approve Final Single-Tier Dividend		
8	To approve the authority to Issue and Allot Shares		

Mark either box if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

\# *If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.*

* *Strike out if not applicable.*

Number of Shares Held	
CDS Account No.	
Contact No.	

Signed this…..…...... day of ….……................ 2023.

…………….…….……….……..............……

Signature / Common Seal of Shareholder

NOTES:-

1. The Meeting Platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia.
2. Members/proxies/corporate representatives WILL NOT BE ALLOWED to attend the 33rd AGM in person on the day of the meeting.
3. Members are to attend, speak (including posing questions to the Board via real time submission of typed text(s)) and vote (collectively, "participate") remotely at the 33rd AGM via the Remote Participation and Voting Facilities ("RPV") provided by Dvote Services Sdn. Bhd. through its online website at https://www.dvote.my. Please follow the procedures for RPV provided in the Administrative Guide for the fully virtual 33rd AGM.
4. A member entitled to attend and vote at the meeting may appoint a proxy/ proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
5. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.
8. The instrument appointing a proxy must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time stipulated for holding the meeting or any adjournment thereof.
9. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
10. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 13 June 2023 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

AFFIX
STAMP

The Company Secretaries

HARRISONS HOLDINGS (MALAYSIA) BERHAD
[Registration No. 199001003108 (194675-H)]

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

HARRISONS HOLDINGS (MALAYSIA) BERHAD
REGISTRATION NO. 199001003108 (194675-H)
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